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United States NEWS

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THE ONLY MAGAZINE

DEVOTED ENTIRELY TO

REPORTING . . . INTERPRETING

AND FORECASTING THE

NEWS OF NATIONAL AFFAIRS

★ ★ ★

PUBLISHED WEEKLY
AT WASHINGTON

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JULY 26, 1946

A 65-CENT DOLLAR?

★

TROUBLES IN BUILDING

★

RISING PRICE TRENDS

★

G.O.P.'S SENATE HOPES

Harold E. Stassen . . . Looking Toward 1948

(See People of the Week)

XUM

WERE YOU EVER WIRED FOR A PORTRAIT?

Wires are attached to your arms and left leg and are hooked up to a machine. Electrical impulses flow from your heart through the wires and are recorded on film or paper. That's how hearts are "photographed".

By studying the jumpy line, a heart specialist can tell all sorts of things about you . . . and tell what to do about them.

There are a lot of deep-seated processes, like heart action, that are studied that way . . . to tell *exactly* how to control them. We do it at Alcoa, in order to control heat-treating of aluminum alloys to make them strong and hard.

Like the heart specialist, we run wires from the heat-treating furnace to devices that make a graphic record, minute by minute, of what goes on inside . . . how hot the furnace is and how hot the aluminum is . . . vital matters to the man who is going to use that aluminum in his product.

Other automatic devices study the graphs constantly and adjust the temperature whenever necessary. As a result, the strength and hardness of heat-treated Alcoa Aluminum Alloys are exactly as specified.

It's the same at *every* step in making Alcoa Aluminum. Quality is so carefully controlled that you can be sure *your* production line will move smoothly, your quality will be uniformly high, and your costs consequently low . . . when you use Alcoa Aluminum.

ALUMINUM COMPANY OF AMERICA, 2106 Gulf Building, Pittsburgh 19, Pennsylvania. Sales offices in fifty-three cities.

ALCOA FIRST IN ALUMINUM

Who "grants" every wage increase?

YOU DO!

The public (that's *you*) is apt to be in favor of workers' demands for every wage increase. That's all right so long as you realize that you are going to pay it.

What has been going on in this country is not a contest between labor leaders and management. Management was deprived of any real power long ago. What has been going on is a contest between labor leaders backed by government laws and decrees, on one side, against the public on the other side. Because the public (that's you) always pays the bill.

You can't raise wages and take the raise out of corporation profits, for the good reason that there aren't enough profits. When you raise wages without increasing production, you raise prices. And so *you* pay the raise.

Of course there is a way to raise wages without raising prices but no labor leader nor government leader has seemed to have the courage or fairness to offer it as part of "collective bargaining". That way of course is to increase efficient production. There is scarcely a worker in America who couldn't easily earn all the increases he is demanding, simply by being more efficient—and then *you* wouldn't have any increased cost to pay.

Isn't there *any* labor leader in America big enough, honest enough, American enough to champion this obvious truth?

WARNER & SWASEY
Machine Tools
Cleveland

You can machine it better, faster, for less with Warner & Swasey turret lathes and tapping machines

The March of the News

Reg. U.S. Pat. Off.

Draft. Tighter draft rules were announced. Beginning September 1, local draft boards will call up men 19 through 29 years of age. Quota for the month of September is set at 25,000 men. Deferments are granted to men with children. Occupational deferments, however, are ended, though farmers will continue to get special consideration. College students, and veterans who served less than six months on active duty with no overseas time are subject to call. Meanwhile, the Army announced plans to increase gradually the period of basic training for inductees from the present eight weeks to seventeen.

Radio. Federal Communications Commission ordered the withholding of one out of every five frequency-modulation radio channels allocated to various areas in the U. S. Purpose of the order is to give veterans and other latecomers a chance to apply for an FM channel in setting up a new radio station. The reservation order is effective until June 30, 1947.

Contract termination. More than 133,000 contracts for war materials valued at $46,000,000,000 have been terminated by the War Department since V-J Day. The Department said 97 per cent of the terminated contracts have been settled in full. The Navy Department has terminated 63,000 war contracts representing $16,000,000,000, of which 92 per cent have been settled in full.

Highways. Congress sent to the White House a bill authorizing construction of bridges atop dams over navigable streams. The new measure would permit the Federal Government to pay 50 per cent of the costs of such bridges, with States paying the other half. A fund of $10,000,000 would be authorized to compensate State highway departments for costs in designing or constructing bridges of that type.

Wheat production. There will be no wheat marketing quotas and no acreage allotments during the 1947-48 crop season, the Department of Agriculture announced. The Agricultural Adjustment Act of 1938 provides marketing quotas when the total wheat supply exceeds a normal year's consumption by 35 per cent. A supply below this figure is expected in 1947-48 in view of the present low level of wheat stocks.

Dentists. Naval Reserve Dental Corps officers will be released from active duty after 30 months' service beginning September 1. Navy Department said about 1,500 dental officers will be affected by the reduction from the present requirement of 36 months' service.

Surplus property. Disposals of Government war surpluses for the first time are beginning to approach the monthly rate at which the surplus is accumulated from the armed forces. In June, the War Assets Administration disposed of goods costing $829,000,000 while value of acquisitions of new surplus property in June declined to $863,000,000. By the end of June, WAA had acquired surplus valued at $18,049,000,000; had disposed of $4,268,000,000 worth for a return to the Government averaging about 40 per cent of original cost.

Official Texts . . .

HOW U. S. CAN PROTECT ITSELF

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LESSONS FOR OUR AIR DEFENSE

Senate Study of Aviation Industry's Record . . . . . Page 67

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Cover: Harold E. Stassen; see People of the Week, page 58. (Acme Photograph)

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Margaret Culkin Banning has put stars in her eyes . . .

. . . COMMUNITY* *is making the most of her mood!*

SHE'S young — emotional — starry-eyed. Right now she's the model for a dream.

For, she has lost herself completely in a tingling tale by Margaret Culkin Banning, whose great stories you'll find so often between the covers of Cosmopolitan.

The finest emotional writing of our time fills every issue of Cosmopolitan, and great writing makes great reading. It makes the sort of reading that weaves a magic spell of illusion, that softens the mood, that sways the emotions.

Yes, Margaret Culkin Banning has started her dreaming. And Community is playing a part in her dream. They're showing her their selections in silverware. They're impressing her again with their famous "This Is For Keeps" theme.

She's in the mood for Community's story. She's stirred by the emotional writing of Margaret Culkin Banning, Faith Baldwin, Sinclair Lewis and all the other famous authors who appear regularly in Cosmopolitan.

Here emotions have taken command. And emotion makes wars; emotion makes marriages; emotion makes sales!

**A Cosmopolitan advertiser since 1916*

Cosmopolitan

GREAT WRITING MAKES GREAT READING

THIS IS

JONES

... Isabel Morse Jones of the Los Angeles Times

Don't be fooled by that cheery smile, so aptly caught by Artist Cugat . . . because Music Editor Jones will tolerate no nonsense when it comes to fine music.

The jump-and-jive set may cast a fishy eye at the long-haired stuff ...but thousands of Times readers follow with pleasure Miss Jones' intelligent, critical reporting of the news in serious music. This carefully-rounded appeal to a variety of tastes makes the Los Angeles Times "everybody's newspaper" in Southern California... delivered to more homes than any other West Coast daily.

LOS ANGELES Times

Represented by Williams, Lawrence & Cresmer
New York, Chicago, Detroit and San Francisco

What you as a businessman CAN and CANNOT do as a result of federal court and administrative decisions:

YOU CAN probably prohibit ***union solicitation*** in your plant during working hours even if you allow general conversation, if you can establish that the prohibition is not designed to discriminate against union membership as such. An employer who has a rule against union solicitation and discharged a worker for violating that rule was upheld recently by the National Labor Relations Board.

* * *

YOU CANNOT buy certain Government ***surplus building materials*** unless you plan to use them in the veterans' emergency housing program. Designated surplus building materials owned by the Government are channeled into the program by order of the Civilian Production Administration.

* * *

YOU CANNOT easily form a ***partnership*** with your children and have that partnership recognized for federal tax purposes. A recent U. S. Tax Court decision refuses to recognize a partnership between fathers and sons where all but one of the sons were minors and where none of the sons had a voice in the management of the business.

* * *

YOU CANNOT announce that responsibilities will be reduced for a group of your employes if they join a union. One firm that stated ***foremen*** would be demoted if they joined a foremen's union is held by the National Labor Relations Board to have violated the Wagner Act.

* * *

YOU CANNOT be certain of having your ***priority for building materials*** honored unless you place your orders in writing. CPA announces that written purchase orders are necessary to avoid rejection of priority orders on a technicality.

* * *

YOU CANNOT export ***copper*** and a number of copper products without an export license from the Office of International Trade, Department of Commerce. Copper and also lighting fixtures have been placed on the export-control list.

* * *

YOU CAN shortly buy ***passenger-car tires*** with a higher content of natural rubber. CPA now permits tires for passenger automobiles and motorcycles to contain as much as 13 per cent natural rubber.

* * *

YOU CANNOT use your reserve for unrealized profits on installment sales as part of your base for computing ***excess-profits tax credit***. The U. S. Tax Court holds that these reserves cannot be included in equity invested capital as accumulated earnings.

* * *

YOU CANNOT purchase Government-owned surplus ***woolen or worsted fabric*** unless you agree to use the fabric to manufacture men's suits or overcoats. The War Assets Administration requires buyers to certify that fabrics will be so used and that the finished articles will be made within 120 days after purchase.

* * *

YOU CANNOT buy ***Manila rope*** for nonessential purposes. CPA orders all rope except tent or awning rope to contain at least 10 per cent cordage lubricant by weight. The order is expected to channel rope into shipping, fishing, oil-well drilling and similar essential uses that require lubricants.

* * *

YOU CANNOT, as a manufacturer of certain scarce products, hold more than 30 days' production of finished items as your inventory. CPA limits ***manufacturers' inventories*** to this quantity for such articles as furniture, mechanical refrigerators, washing machines, electric ranges and vacuum cleaners.

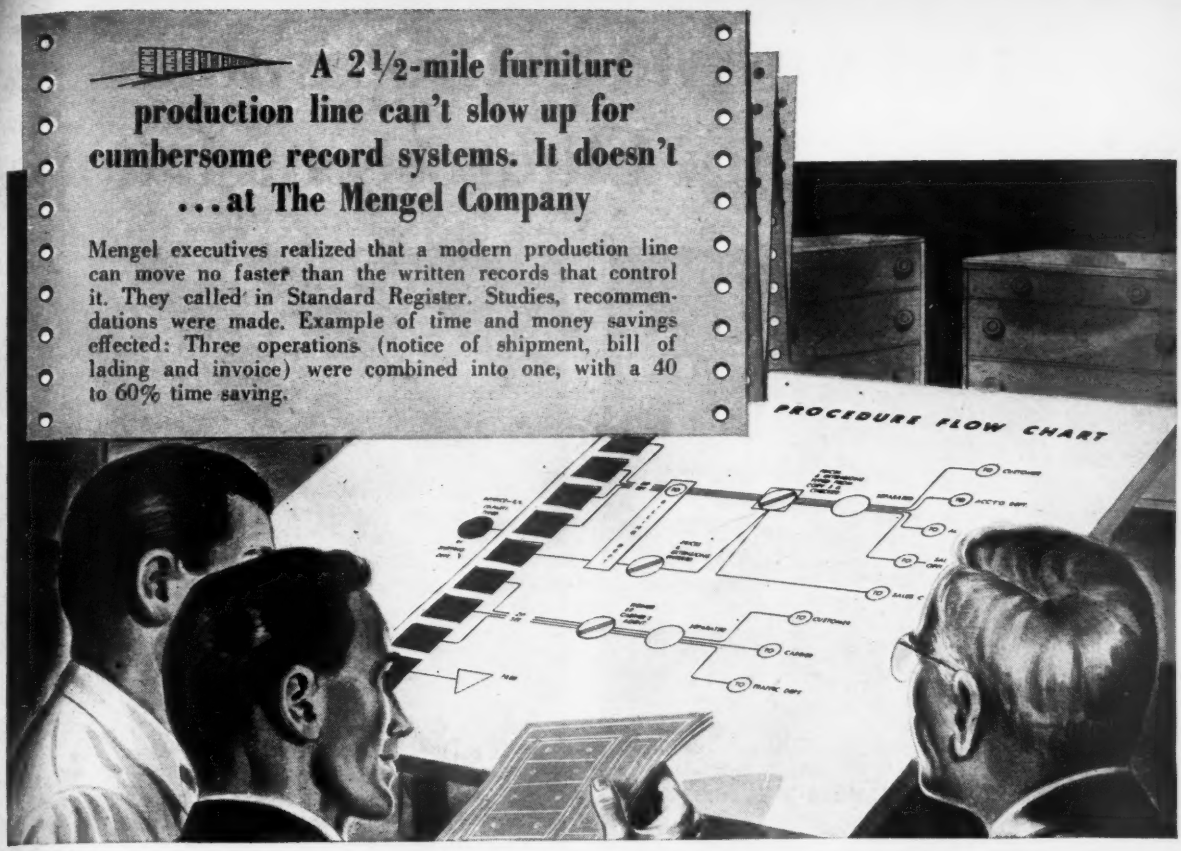
* * *

YOU CAN escape paying personal income taxes on the ***incomes from trusts*** set up for your children if you derive no economic gain from the trusts. A father who set up irrevocable trusts for his minor children, and did not use the proceeds from trusts to support the children, is not taxable on the trust income, the U.S. Tax Court holds.

* * *

YOU CAN perhaps buy ***hardwood flooring*** more easily a few weeks hence. CPA has issued an order directing sawmills to cut more hardwood logs in sizes suitable for hardwood flooring.

Conclusions expressed in these paragraphs are based upon decisions and rulings of courts and Government bureaus. In making their decisions, courts and bureaus consider many facts which, for reasons of space, cannot be set forth in detail. THE UNITED STATES NEWS, *on written request, will refer interested readers to sources of this basic material.*


A 2½-mile furniture production line can't slow up for cumbersome record systems. It doesn't ...at The Mengel Company
Mengel executives realized that a modern production line can move no faster than the written records that control it. They called in Standard Register. Studies, recommendations were made. Example of time and money savings effected: Three operations (notice of shipment, bill of lading and invoice) were combined into one, with a 40 to 60% time saving.
PROCEDURE FLOW CHART

Experience-proved: Standard Register's exclusive methods save most where record systems cost most

HOW CAN STANDARD REGISTER'S techniques uncover sources of savings that escape the usual office or systems study? The kind of savings that run into four, five, sometimes even six figures?

The answer is in Standard Register's entirely *different* approach and methods. Through a tested, step-by-step *procedure* (including analytical flow-charting of your present record system), Standard Register brings hidden waste into the open. Work making form design is discovered—corrected. So are time-wasting methods of writing and using forms.

Each of Standard Register's scientific, experience-proved steps plays its part in effecting savings where paperwork savings count most... in the cost of completed records and through better over-all management control.

★ ★ ☆

Get additional facts about the Standard Register business systems (and the Formcraft-designed Kant-Slip forms which make them operate). Learn how they are effecting substantial savings for many a company like your own. Write. Ask a Standard representative to call. There is no obligation.

PROBLEM: FIND THE AREA WHERE SAVINGS COUNT MOST

Cost of printed forms: Savings as high as 10% in this area (because of difference in quality of paper, carbon, etc.) are relatively small. A few hundred dollars *at most.*

Cost of completed records: A 10% saving in the cost of writing, handling and using forms is 10 to 50 times greater, often runs into four figures.

Cost of the business operation, controlled by written systems: In this area, savings may multiply themselves into almost incalculable figures—through better management control.

THE STANDARD REGISTER COMPANY

Manufacturers of Record Systems of Control for Business and Industry

207 CAMPBELL STREET, DAYTON 1, OHIO

Pacific Coast: Sunset McKee-Standard Register Sales Co., Oakland 6, California. Canada: R. L. Crain Limited, Ottawa. London: W. H. Smith & Son, Ltd.

Two ways to get top value when you buy Fluorescent Lamps

1 **One Way Would** be to go at it like a General Electric lamp research scientist. That would mean dreaming up a device like the one above which would tell you whether a fluorescent lamp is properly sealed. Even the tiniest amount of air seeping into a fluorescent lamp makes it hard to start and causes end-blackening. G-E's apparatus will detect a leak so small that it would take 100 years to fill the lamp with air! But duplicating this device on your own wouldn't be very practical. And besides, you'd need to match it with millions of dollars worth of other equipment, as G-E has done, to control all the factors that affect fluorescent lamp quality. But there's another way out, which *is* practical for you.

2 **Insist on the GE Monogram.** That's the easy way to get top value in fluorescent lamps. More than 480 tests and inspections see to it that G-E fluorescent lamps are always a good buy. *And G-E lamp research is constantly at work with one idea in mind —to make G-E lamps Stay Brighter Longer.

G-E LAMPS

GENERAL ELECTRIC

FROM THE NATION'S CAPITAL

Tomorrow

Reg. U.S. Pat. Off.

A LOOK AHEAD

Newsgram

Reg. U.S. Pat. Off.

24th and N Streets, N.W.
Washington, D.C.

Near the end of the first month without control over prices.....

Butter is back on top of store counters, not under the counters.

Beef and other meats are available to those who want them at a price.

Clothing costs little, if any, more than it did before July 1.

Most goods, other than foods, are little changed in price.

Rents often are higher, but have not gone through the roof.

Dire predictions of what would happen when price control ended are not borne out by actual experience. Food prices are sharply higher, but nobody seems to be going hungry. People who want butter and meat at the prices prevailing are able to get their butter and meat without going to a black market. Taxpayers are not having their tax dollars used to provide lower-priced food for somebody else. Farmers, of course, are reaping another rich harvest.

It is in fields other than retail prices that the trouble still lies.

Automobile production promises to lag all through 1946 and into 1947. Output will grow, but will not reach expected levels.

Construction, despite rosy figures, is in a tangle that is not clearing.

Many industries--those making durable goods for consumers--find it difficult to get going on an efficient basis with high production.

An entire postwar year soon will have passed while the country argued about what was wrong and while one industry after another lagged in output of the goods that people want, goods that alone can check price inflation.

Three things, it now is clear, have caused the main damage.

1. Strikes in steel, autos, coal and electrical equipment take first place. Effects of these strikes still are being felt and will be for many months.

2. Price controls got things all out of kilter by encouraging output of luxury items, discouraging output of basic products needed by industry.

Wage policies, promoted by the White House, upset cost relationships, generated many little strikes, delayed output of vitally needed products.

Net result is that the U. S. economy is all out of adjustment. It is very probable that a shake-out, or bust, will have to occur before wages and prices can be brought back into balance so that the country can enjoy a long period of rather stable prosperity. The present is a distorted boom period.

Boom is likely through 1946 and through a sizable part of 1947.

Bust is probable at some time in 1947.

Postwar prosperity may start sometime in 1948.

A bust, when it comes, will not be cushioned much by savings, by wartime accumulation by individuals of savings bonds, bank deposits, currency.

An official study of income and savings shows why:

Nearly 10,000,000 families have only $20 of liquid savings on an average.

Nearly 50 per cent of all families hold under $230 in average savings in liquid form, in a form that can be drawn on to meet emergencies.

Only 6,500,000 families have more than $1,500 in average liquid savings.

Families with less than $3,000 of income have had important increases in

(over)

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XUM

income, but apparently have spent freely as a group.

Unemployment, if and when it comes, will pose a quick relief problem. Price rises for many products will quickly price many families out of the market. The idea that war put everybody in the upper-income groups is not supported by evidence of official surveys. The story of income is told for you on page 11.

There is a growing chance that Mr. Truman will lose control of Congress in November, that voters are restless even in the midst of a boom.

The House stands more than a 50-50 chance of going Republican.

The Senate stands less than a 50-50 chance of losing Democratic control.

It will take a 6 per cent shift in vote away from the Democratic Party to overturn House control. Normal off-year shift is 5 per cent. Irritations of voters in this irritating period could bring the shift of another point or two that would give Republicans their first House control since 1930.

To win the Senate, Republicans must take 9 out of 15 seats outside the Solid South; must make a rather broad sweep through the North.

That's possible, but not so probable.

More probable is that Democrats will keep control by a narrow margin.

But: Either way the election goes in either house, a coalition of the conservative Republicans and conservative Democrats will control legislation.

A White House veto, however, will continue to block legislation that labor leaders oppose strongly; will prevail in a negative way until 1949 at least.

Net result of the political situation is this:

Labor will get few new rights and privileges from Congress.

Social security is not likely to be expanded much in years just ahead.

Tax-reduction policy will be written from a conservative viewpoint.

Public works will not be promoted on the scale of New Deal days.

Veterans, however, will be favored. Aids to veterans of one kind or another are to cost between $5,000,000,000 and $6,000,000,000 in this year.

The next left swing very definitely is off until another depression. It is unlikely that a short-term bust will produce such a swing in 1948.

In some of the other fields where things are happening just now.....

A balanced budget is probable for the year that began July 1, but official budget figures are likely to show a small bookkeeping deficit.

Income, net, will be above $38,000,000,000.

Outgo is likely to be around $38,000,000,000, but may be reported higher in the official budget to discourage tax-cutting ideas. On a basis of outgo and income in hard cash, not bookkeeping, the budget will be balanced.

You get a story of where the money is going on page 47.

U.S. dollar is not to be devalued; is the strongest world currency.

Foreign currencies, generally, are actually priced too high in relation to the dollar at current price levels.

Juggling of currencies, if undertaken on any important scale by nations abroad, will be designed to whipsaw U.S., to try to get U.S. goods cheaply in this time when those goods are so badly needed and to get fancy prices in terms of dollars for goods that U.S. needs badly at this time.

Monetary Fund, supposedly is to prevent this type of manipulation. The Fund, however, is not yet operating, and may not be for several more months.

Britain can easily repay the $4,400,000,000 she is borrowing if U.S. just remains prosperous. If U.S. goes into a long period of deflation, Britain will have difficulty making good on her present borrowing. U.S. holds the key.

See also pages 14, 16, 46, 63, 67.

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DIESEL POWER

WHAT'S IN A NAME PLATE?

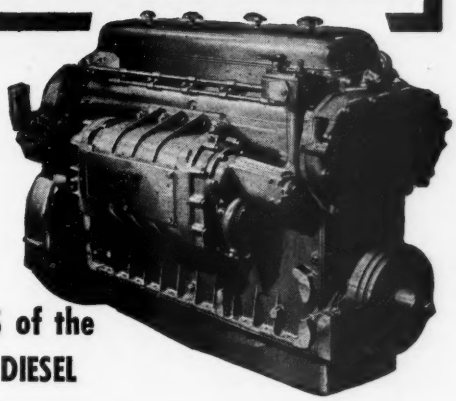
IN THIS CASE the name plate holds the secret of the satisfaction you will have with Diesel power.

For this name plate is evidence of some of the most intensive work ever undertaken in the General Motors Research Laboratories.

It started back when all Diesels were cumbersome, stationary engines. But the Diesel idea looked good. Maybe it could be made more useful. So GM experts went to work on it.

THEY MADE IT two-cycle—quick to respond to additional loads because power is furnished on every downward stroke of each piston. They eliminated all the old surplus weight and size of former Diesel engine practice and built in a more than ample supply of horsepower. They developed unit injection—did away with high-pressure fuel tubing. They designed Uniflow scavenging—made a clean-burning, efficient engine. Then to top it all, they simplified the design and made wearing parts easy to get at, and interchangeable even between engines with different numbers of cylinders.

ALL THIS has added up to today's sturdy, hard-working, money-saving GM Diesel—a Diesel that brought the era of the GM locomotive and its streamliners, a Diesel that has changed the picture of marine propulsion—a Series "71" industrial Diesel engine ready to take on the toughest jobs of road transportation, construction, fishing, mining, lumbering and anything else you have to offer. Yes, ready to take them on and do them reliably, at low cost.



FEATURES of the GM "71" DIESEL

- Compactness
- Quick starting under all conditions
- 2-cycle, smoother operation
- Easy accessibility of wearing parts
- Unit injectors—no high-pressure piping
- Maximum parts interchangeability regardless of number of cylinders
- Uniflow performance at high altitudes

A nation-wide organization of GM Diesel sales and servicing dealers stands ready to handle every need for parts and service.

DETROIT DIESEL ENGINE DIVISION

DETROIT 23, MICH. • { SINGLE ENGINES . . Up to 200 H.P. / MULTIPLE UNITS . . Up to 800 H.P.

GENERAL MOTORS

NEWS

XUM

Thrilling moment in the 20-year-old film DON JUAN, *featuring John Barrymore. This was the first full-length sound movie.*

The modern movie is 20 years old on August 6

Twenty years ago the movies added sound to sight. DON JUAN was the film. A year later came THE JAZZ SINGER, the first feature to use lip synchronization.

Both films were produced and presented by Warner Brothers. The equipment which made them possible was developed and made by Bell Telephone Laboratories and Western Electric Company. These two units of the Bell System have continued to apply their skills to improve sound reproduction. They have contributed greatly to the high quality sound heard in the movies of today.

Bell scientists were able to solve the talking picture problem because of their continuous study of every means to improve communication. The "talkies" came directly out of telephone research.

The modern movie has grown so that it speaks in peace and war around the world. It has become one of the great agencies affecting the heart and mind of man.

BELL TELEPHONE SYSTEM

VOLUME XXI—No. 4 The United States News WASHINGTON, D. C.
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The National Week ★ ★ ★
Reg. U.S. Pat. Off.

BUYING POWER IN HANDS OF FEW: WAR'S FAILURE TO SPREAD RICHES

Inability of 70 Per Cent, Making Less Than $3,000, to Get Durables

Danger that even more will leave luxury market in any sharp wave of price rises

The war, it now turns out, did not provide a high income for every American family. War, instead, with all of its outpouring of hundreds of billions of dollars, left this country with its poor families, its middle-income families and its well-to-do families divided about as they were divided before the war.

Division of income, with the war ended, stands about like this:

One out of five families in U. S. is getting along on less than $1,000 of annual income.

About one out of every two families is having to live on less than $2,000 a year.

More than two out of three American families have incomes of less than $3,000 a year.

One out of 14 families has more than $5,000 a year of current income.

Those are findings disclosed by a study of income distribution conducted by the Federal Reserve Board and the Bureau of Agricultural Economics. That study was made by use of the sampling method on a broad scale. It represents the second part of a survey of family finances, the first part of which dealt with the question of who owns the wartime savings. The study showed that savings, to an even greater extent than incomes, were concentrated in relatively few hands.

Sampling of family incomes covered the year 1945. Those incomes are not expected to be materially different in size or distribution in 1946. The result is that individuals and businessmen for the first time can get a picture of the way income is divided among families on a basis that responsible Government departments will vouch for.

The pattern of income and savings, broadly, is this:

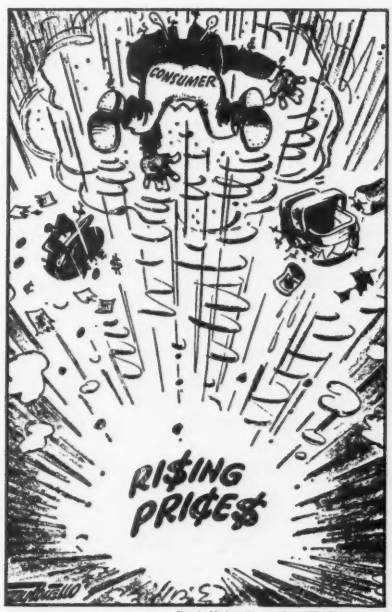
All told, the study considers 46,000,000 spending units, families mostly, who had $120,600,000,000 of income in 1945. These units saved $19,900,000,000 out of 1945 income, and have liquid assets—bank deposits, currency and Government bonds—totaling $81,000,000,000.

Less than $1,000 of income was received in 1945 by 9,300,000 families, or 20.1 per cent of the total number covered by the study. This big group accounts for only 4 per cent of the total income for 1945 and only 1 per cent of the year's total family savings. As a group, these families spent more than they earned in 1945, dipping into their past savings to make ends meet. Their liquid assets, on an average, were $20 per family. These people, obviously, offer little market for anything except the barest necessities of life.

Between $1,000 and $1,999 of income was received by 12,400,000 families, or 27 per cent of the total. Thus, 47.1 per cent got less than $2,000. The families getting between $1,000 and $1,999 received 16 per cent of the total income, but, on an average, they saved only $70 and had only $230 in total liquid assets. These people clearly are in no position to

—Gray in Chicago Times Syndicate

I'LL HUFF AND I'LL PUFF—

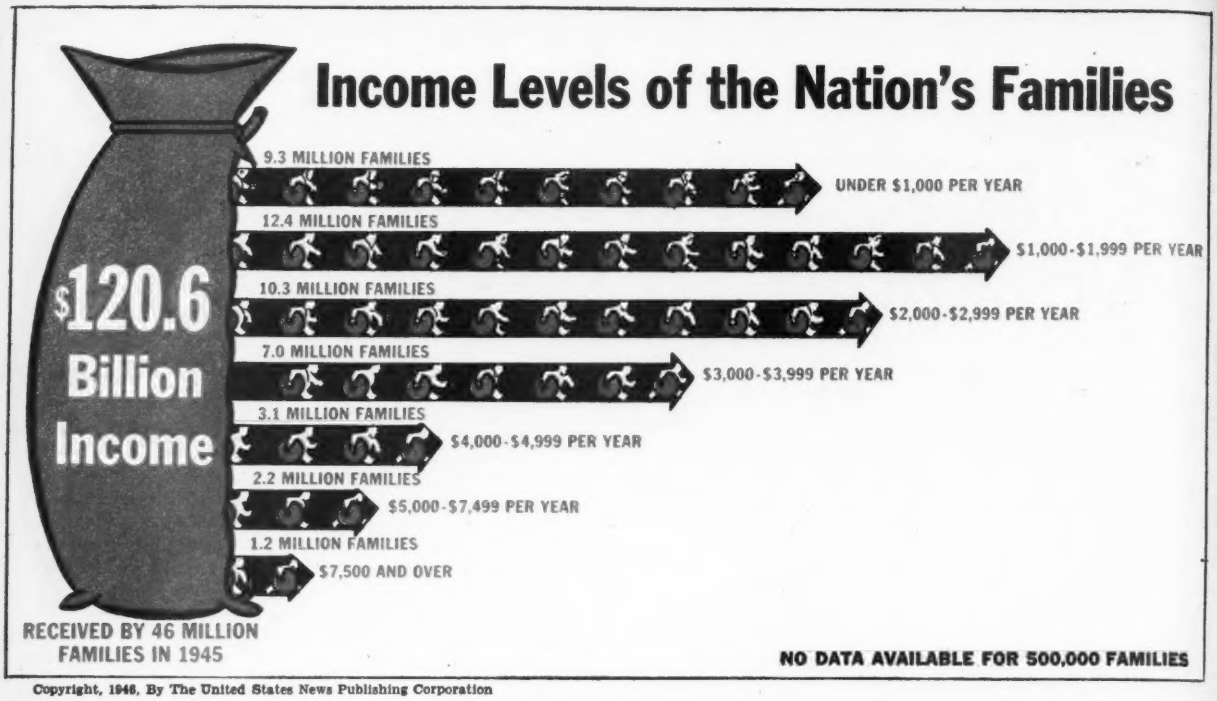


—Costell in Scranton Tribune

A LOOK IN THE FUTURE?

—Shoemaker in Chicago Daily News

GETTING SMALLER AND SMALLER



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buy many high-priced durable goods such as cars, furniture, washing machines or homes. Most of them must buy, if they buy at all, on installments or some other form of consumer credit.

Between $2,000 and $2,999 of income was received by 10,300,000 families, or 22.4 per cent of the total covered by the survey. Their average 1945 savings were $190 and liquid assets $470. Thus, families at this level are getting by so narrowly on their incomes that the current rise in prices can readily wipe out their savings or force their standard of living down unless they get corresponding increases in income.

In these three groups with incomes below $3,000 a year are nearly 70 per cent of the nation's spending units. Among them, they hold 34 per cent of liquid assets and account for 26 per cent of current savings, yet the savings and assets of individual families are so small that they offer no great market for industry's products other than the bare necessities. If these people are to buy expensive durable goods in quantity, they must get substantially more income or else rely on consumer credit.

Moving up the income scale:

Between $3,000 and $3,999 of income was received by 7,000,000 families, representing 15.2 per cent of those studied. The current savings of these families amounted to $430, on the average. They accounted for 24 per cent of the current savings of all groups covered by the study. Families at this income level averaged $900 in currency, bank deposits and Government bonds.

The real market for expensive things like cars, houses and refrigerators begins here. These people include many who live on the income from investments, and their assets are large enough to give them more leeway in spending. But, by and large, the families at this level who depend upon wages and salaries must count their dollars. They are not dug in against a wave of sharp price rises, and they could disappear quickly from the market for nonessential goods.

Between $4,000 and $4,999 of income was received by 3,100,000 families, representing only 6.8 per cent of the total. Thus, it is seen that, at $4,000, the number of families begins to narrow sharply. The average family in this group was found to have saved $550 out of 1945 income and to have accumulated $1,450 in money, deposits and bonds. At this level, families are well enough protected so that they can afford to buy moderate-priced houses, new cars and new household furnishings and equipment. However, it should be remembered that this group also includes many families living on investment income, and the average holding of liquid assets among families depending entirely on wages and salaries is somewhat less than $1,450.

Between $5,000 and $7,499 of income went to 2,200,000 families, representing 4.8 per cent of the total. It is seen that here the number continues narrowing. These families saved $1,100 out of 1945 income on an average, and their liquid assets averaged $2,700. This is a relatively prosperous level of income and offers a substantial market for durable consumer goods. The market, however, is limited by the small number of families in this income group.

Above $7,500 of income is the select group of families. There are 1,200,000 families in this group, representing only 2.6 per cent of the total. These families average $10,000 of income. They saved $2,300 out of last year's income on an average, and their liquid assets averaged $7,270. Here, very clearly, is the cream of the market for expensive houses, high-priced cars and other things that would be called nonessential or luxury items.

In the war years, high taxes shaved incomes so that not many individuals were able to earn and retain more than $25,000 a year. But shaving the top did not mean that other incomes were pushed up very far from the bottom. The broad pattern of distribution of the national income was not greatly changed.

What all this means to businessmen and to others interested in the way income is divided up, briefly, is this:

Savings in the form of cash, bank accounts and Government bonds promise almost no cushion at all against a depression. Although total savings accumulated since the war amount to a whole year's prewar national income, those savings are concentrated in the upper income brackets, among families with relatively less need for savings as depression insurance. The mass of the people—70 per cent of them—have little or nothing for a rainy day.

Demand for relief could revive quickly in the event that the present boom leads

to a collapse. Persons then likely to be unemployed would have few resources to draw upon. The liquid savings of most of them would vanish in a week.

Buying out of savings does not offer a very promising market. Most families with savings already get all the buying power they need out of current incomes, and the bulk of families must rely on their day-to-day earnings, or on consumer credit, to buy.

Sharp price rises could quickly send most American families out of the market for all but necessities. A rise in food and clothing and rents might snuff out the present selling boom for automobiles, refrigerators, radios and washing machines sooner than most persons think.

The steady market for most consumer goods is small in relation to the total number of families. This market is concentrated in the 3,400,000 families that receive more than $5,000 a year. That's only 7.4 per cent of the aggregate.

More pointers. In gauging markets, the study also gives these pointers:

Big cities contain more families with high incomes and fewer families with very low incomes than small cities and rural areas. The richest market for consumer goods, thus, is to be found in metropolitan centers.

Middle-aged persons usually enjoy larger incomes than young people or older persons. The luxury market, thus, is to be found in this group.

Reasons for saving, found by the study, also throw light on what businessmen can expect in the way of markets from wartime accumulations.

Security is cited by 60 per cent of families with savings as the reason why they save. These savings are regarded as protection for old age, sickness or accident, or against unemployment. This group cannot be expected to spend savings to buy goods that are not urgently needed.

A house, farm or business is the second most important reason for saving. The study discloses that 22 per cent of the families plan to use their savings for this purpose, with most of them seeking homes. This group, too, can be expected to refrain from buying consumer goods.

Protection for children is planned by 17 per cent of the country's spending units. This means that savings are not intended to be spent for a number of years, until children go to college, get married, enter business or seek jobs.

Only 9 per cent of the nation's savers frankly intend to use their money to buy consumer goods. This is another indication that steady employment promises to be the main support of the consumer's market.

—H. Armstrong Roberts

SAVINGS FOR THE BANK

. . . no major hedge against inflation . . .

The type of savings bears out these reasons given for accumulating reserves.

Life insurance is used by 61 per cent of the families who save any money at all. This figure parallels the percentage that saves primarily for protection. Insurance promises protection of family in case of a death, and support in retirement, but it does not indicate any encouragement for current spending.

Mortgage payments were made by 18 per cent of the families that saved. This practice supports the statement that 22 per cent of the nation's families want to buy homes or farms, and it also indicates that a good portion of savings is in a form that cannot readily be spent. Mortgages are not easy to liquidate, and life insurance usually is held as long as possible.

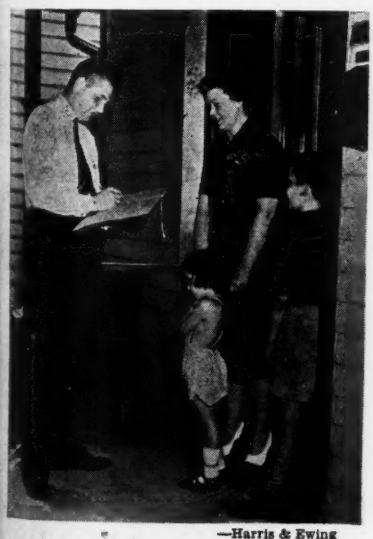
Investments in real estate were made by 6 per cent of the families, and another 5 per cent invested in securities and business. Here again is a portion of the nation's savings that probably will not be used for ready spending.

Government savings bonds are held by 37 per cent of American families, and indications are that they are regarded as emergency reserves by most groups. Government bonds constitute the only form of savings by most low-income groups.

Bank accounts also were increased, with 18 per cent of families adding to savings accounts and 11 per cent adding to checking accounts. Savings accounts usually are regarded as reserves, but checking accounts generally amount to spendable cash.

The savings pattern varies according to income groups. Persons with low incomes usually keep only one type of savings, mostly Government bonds or savings accounts. Families in the higher income brackets, on the other hand, hold their savings in several forms—life insurance, savings bonds, business investments.

The upshot of the study, the first thorough attempt to locate the nation's savings and to get a line on how they might be used, is that wartime prosperity does not promise much permanent advantage to the bulk of the people. The rich often got richer, but the poor, while they improved their current living standards, added very little to their reserves. Concentration of savings among families in the higher income brackets, furthermore, indicates that they will not be used to increase spending, since this group receives sufficient income for current needs. This suggests a weaker underpinning for the nation's business structure than had been generally believed.



—Harris & Ewing

INTERVIEWING THE FAMILY

A survey of incomes showed . . .

—H. Armstrong Roberts

BRINGING HOME THE CHECK

. . . war hadn't changed the balance

XUM

Troubles in Home Building: Why 'Boom' Brings Few Houses

Delays That Leave Many Structures Incomplete and Uninhabitable

'Started' construction that is still in factory. Swing from needed low-cost output

A growing mystery surrounds the building situation in this country. The mystery concerns a boom in building that nobody seems able to see with his own eyes. All official figures indicate this boom. Reports tell of great numbers of houses being built. Yet few people appear to be moving into new homes, and office as well as store space grows scarcer and scarcer.

A question now is being raised whether figures on construction are realistic. People are beginning to look behind the figures to find out, if possible, where the troubles lie. The objective is to discover why a building boom apparently isn't a boom. There also is some interest in reports of an actual drop now occurring in permits for new houses at a time when demand for construction is greater than ever before.

Official estimates, which give rise to the mystery, show this:

Residential construction, measured in 1940 dollars, is figured at $1,084,000,000 in the first six months of 1946. That is an estimate of the value of building materials placed on the site. This would indicate more building than in the 1940 boom, but the catch is that it is not an estimate of finished construction.

Commercial building, measured on the same basis, was more than twice as great in the first half of 1946 as in the first half of 1940, and there was nearly four times as much industrial building in 1946. Still, people don't see skyscrapers rising in their cities.

Government building has been held down to about half what it was in 1940. Even in housing, Government has built only half as much as it did then. The purpose in holding back on new Government offices, auditoriums and highways is to let housing and private construction have the materials.

Back of these figures, on which official stories of great progress are built, lies a situation that is somewhat less rosy. Digging into the figures produces a far different picture.

Starts on new housing, for instance, may be high, as high as in 1940. But this does not measure the stops. Basements get dug. Maybe walls are built. Sometimes the whole shell of a house is finished. But the job stalls somewhere for lack of needed materials or labor. Costs mount up because the flow of building materials cannot be planned ahead. People get discouraged.

Building time is dragged out. Houses that took 3 to 5 months to complete before the war now take from 6 to 12 months because of shortages.

Completed houses thus are a small part of the number of houses started. Some contractors report that none of the houses they started last January are finished yet. One private organization estimates that fewer than 10 per cent of the houses started under the housing program have been finished so far.

Materials shortages are the main cause of these delays. Contractors cannot depend on the materials being on hand

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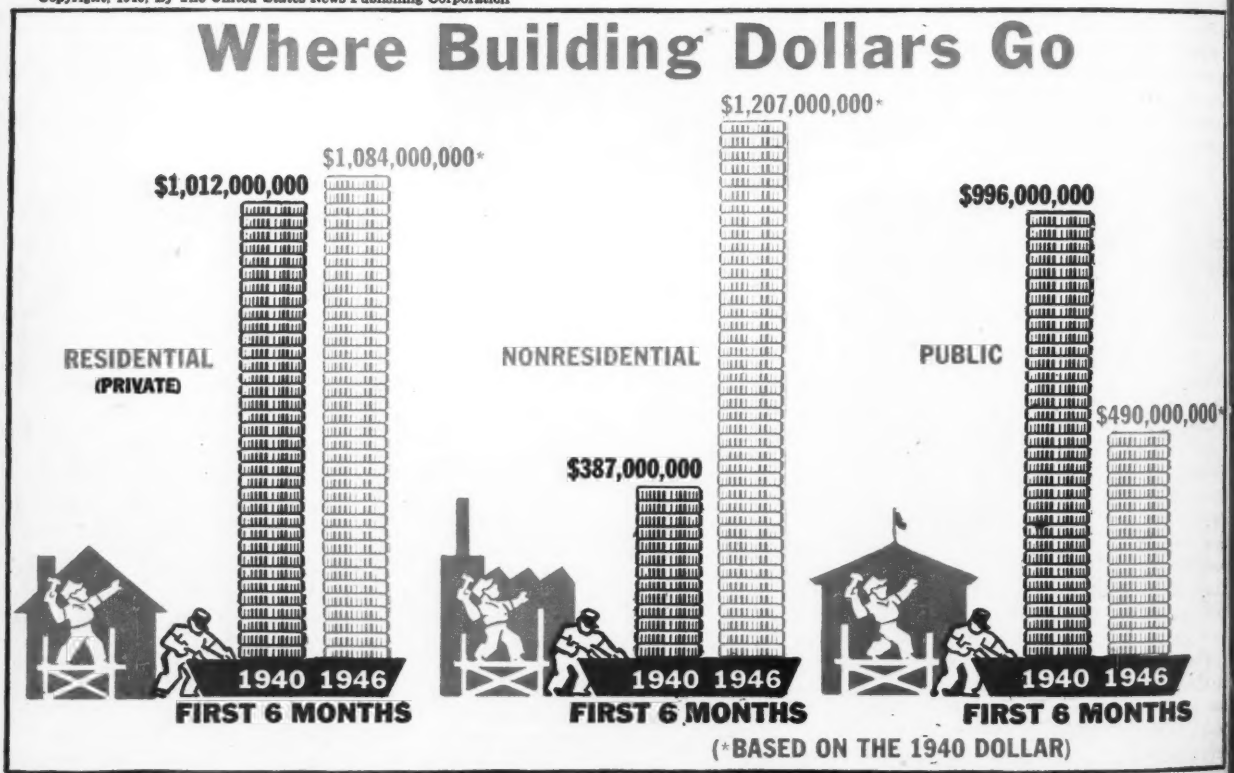
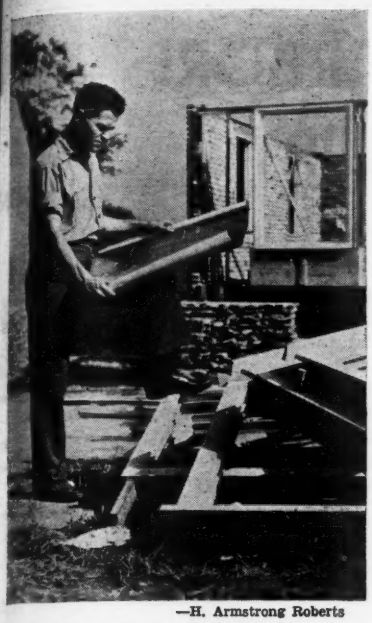




—H. Armstrong Roberts

BUILDER & BLUEPRINTS
Digging into the figures . . .

when they are needed. Lumber, and especially hardwood flooring, is scarce all over the country. So are plywood and gypsum board. Bricks and tile are hard to get, and so is plumbing and heating equipment. Production of most of these items is increasing, but it will be many months before the supply meets the needs of houses going up.

Labor shortages also are beginning to show up. In many places, builders must depend on inexperienced help for part of the work. This means slower work when the materials are on hand.

The effect of these shortages in increasing the time it takes to build a house is to shrink the actual accomplishments. Talk of providing 1,200,000 housing units this year had led the public to look for a big boom, with houses pouring off the builder's assembly line. Actually, there probably were fewer than 50,000 houses completed during the first half of the year. Far more are standing, partly finished, but not ready for use.

Official claims have been limited to starts of construction. But they have led people to look for many new houses. The latest official statement is that home building in the first five months of 1946 came close to the all-time record of American building in the peak year of 1925. This is based on 406,000 units started. On inspection, however, this figure loses some of its force.

The more than 400,000 units started in the first five months of 1925 were real houses and apartments. Here is how this year's official record of 406,000 starts breaks down:

Temporary shelter in such makeshifts as converted Army barracks accounts for 69,000 units. Of these, only 15,400 had been completed at the end of May.

Old houses remodeled or enlarged to enable two or more families to live where one lived before account for another 47,000 starts. This is a rough estimate made by the Federal Housing Administration.

Trailers account for another 12,000. These are trailers shipped from the factory, and not trailers installed on the ground ready for people to live in.

Prefabricated houses add another 10,000 starts, but these starts are not the beginning of building on the ground. They are the beginning of manufacture in the prefabricator's plant, based on industry figures. Many of these starts have been halted in the factories for lack of materials. Very few prefabricated houses actually have started going up on building lots.

Actual houses and apartments, then, account for the remaining 268,000 starts claimed by the Housing Administration. This is little more than 60 per cent of the number started in the same period of 1925.

In terms of the kind of home the average veteran dreams of, therefore, the program, at best, still is far short of what private industry accomplished in 1925. The veterans are finding that the program falls short of their needs in other ways.

Houses to rent, or apartments to rent, are the main demand of the veterans. Most of them want to rent, rather than buy. More than half of those seeking dwellings say they cannot afford as much as $40 a month for rent. So far, the program has not been able to build houses or apartments to rent at that price in most parts of the country. The veterans' main hope of housing, thus, lies in the converted barracks, old houses and trailers, where rents will fall within their means.

There is no measure of how many houses or apartments for rent actually have been started. Almost 30 per cent of the building authorized has been this type, but actual starts on building are a fraction of the buildings authorized. Even the rental housing authorized is bunched up and spotty. The cities of Los Angeles, New York and Washington together have 40 per cent of all rental housing authorized. In those cities, the prices will range above the GI's needs.

Houses for sale, thus, are to be the main product of the program. Investors are reluctant to put their money into rental housing at present high costs when rent ceilings are to control their profits as soon as a house is built. Rents on these new houses would be held down even if OPA controls are not restored What the builder has to look forward to five or 10 years from now is competition from newer houses built more efficiently at lower costs. This will hold his future rents down.

Borrowing to buy a house, therefore, is a solution to which increasing numbers

—Summers in Buffalo Evening News

SOARING INTO THE IONOSPHERE
. . . produced a different picture

of veterans have turned. Bankers and Government officials have had to tell many veterans that a man who cannot afford more than $40 a month rent is ill-advised to buy a house costing more than $5,000.

Low-cost housing, which these veterans could afford, has not been developing. The original goal of building half of the new houses to sell for $5,000 or less has been abandoned as building costs have gone up. Instead of $5,000, the price of what is called low-cost housing has been raised to $9,000 in New York, and to $8,500 in Washington.

Actually, a smaller proportion of low-cost houses has been built under the housing program than in the months from V-J Day to the end of 1945. Then, without Government controls, 24 per cent of the houses built cost under $5,500; only 23 per cent of those authorized by the housing program fall in this lowest price range. On the other hand, as many houses costing $8,500 and up are being authorized now as were built before.

What the program has done so far, principally, is to stop the building of luxury houses. By putting on a $10,000 lid, it has squeezed more building into the range from $8,500 to $10,000. Thus, people with the money to build a house for their own use are not able to start.

Instead, construction is being channeled into speculative building for quick sale. Most of these houses will meet a minimum standard of quality. Small lots, preventing later additions, will prevail. The result is likely to be large, unattractive developments whose houses will have doubtful value once the present shortage eases.

AVERTING A NEW PEARL HARBOR: ADVICE OF CONGRESS INQUIRY

Emphasis on Unity of Outpost Command and Better Intelligence

Report of minority urging co-ordination between public opinion and diplomatic moves

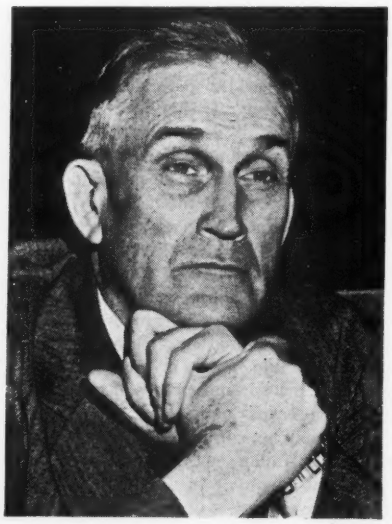
The main questions in the mystery of Pearl Harbor now are answered, so far as they ever can be answered. After listening to millions of words of testimony, studying the findings of seven previous investigations, and deliberating for many months, the Joint Committee of Congress Investigating the Pearl Harbor Attack has given its conclusions to the nation.

There is no apparent disagreement in the Committee as to the facts of what happened at Pearl Harbor and what led up to it. Also, eight out of 10 members of the Committee are agreed as to the general conclusions to be drawn, and have signed the 500-page report prepared under the direction of Senator Barkley (Dem.), of Kentucky, chairman of the Committee, and with the aid of Seth Richardson, Committee counsel. Included among the eight are two Republicans — Representative Gearhart, of California, and Representative Keefe, of Wisconsin.

The two other Republicans on the Committee—Senator Ferguson, of Michigan, and Senator Brewster, of Maine, have issued an 80-page minority report, however, and Mr. Keefe has appended to the majority report a 23-page statement of his own.

Conclusions. Thus, from the same set of facts, three different sets of conclusions have been drawn. The major conclusions are these:

Was Japan provoked? On one basic point, the committee members all agree: Neither President Roosevelt nor the heads of the State, War and Navy departments deliberately provoked or incited the Japanese attack on Pearl Harbor. Instead, up to the last moment, they tried to postpone the war they considered inevitable.



—Acme

SETH RICHARDSON
Some question marks were erased

Surprise. All members of the Committee agree also that high officials of the Government and of the armed services, from the President down, expected the attack to come in Southeast Asia rather than in Hawaii.

Blame. As to placing responsibility for what happened, both the majority and minority reports stress the failures and errors of judgment committed by high officers of the Army and Navy. Both include the two commanders in Hawaii, Admiral Husband E. Kimmel and Lieut. Gen. Walter C. Short, as well as the Washington command. Neither report places any direct blame on Cordell Hull, then Secretary of State, although the minority report asserts that diplomatic moves leading up to Pearl Harbor ought to be investigated further.

But the two reports differ sharply in what they say about the part played by the then President Roosevelt, Secretary of War Henry L. Stimson, and Secretary of the Navy Frank Knox.

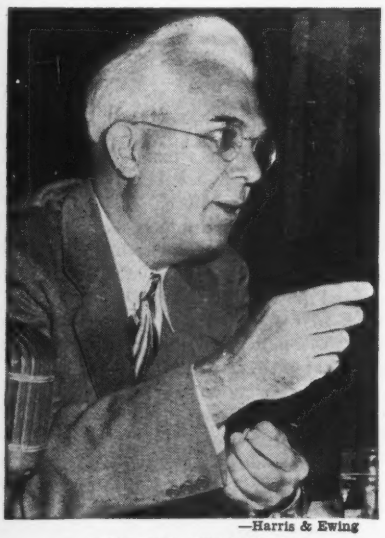
The majority report says that they, as well as Secretary Hull, "discharged their responsibilities with distinction, ability and foresight and in keeping with the highest traditions of our fundamental foreign policy."

The minority report, on the other hand, declares:

"The failure to perform the responsibilities indispensably essential to the defense of Pearl Harbor rests upon the following civil and military authorities" and names President Roosevelt, Secretary Stimson and Secretary Knox, as well as high officers of the Army and Navy. This report lays great stress on the "chain of responsibility" extending up to the President as head of the civil and military administration.

Besides these general conclusions, the Committee members have given their answers to many other questions that have been in people's minds ever since the Pearl Harbor disaster.

Expectation of war. One such question is this: Was the war itself a surprise



—Harris & Ewing

SENATOR FERGUSON
On many vital points . . .

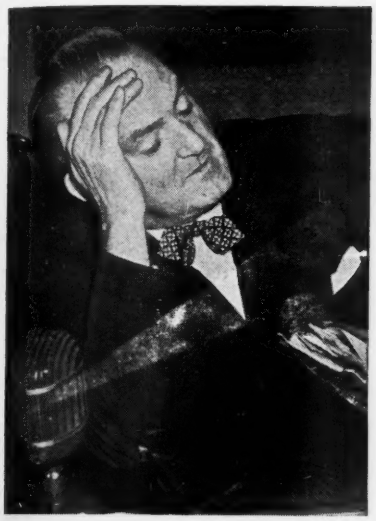
—Harris & Ewing

SENATOR BREWSTER
. . . the minority took issue

to top Government officials? The Committee is agreed that, for more than a week preceding the attack, war with Japan was regarded by President Roosevelt and his aides as being certain and imminent. That view was based in part on the fact that diplomatic conversations with the Japanese had become deadlocked, and in part on a series of intercepted Japanese messages giving instructions to distant representatives to burn their codes.

Fleet's location. Should the Fleet have been based at Pearl Harbor? This question, raised in Committee hearings, receives attention in both the minority and majority reports.

The minority report holds that, since first priority had to be given to meeting dangers in the Atlantic and since it was impossible at the same time to supply adequate defense materials to the base at Pearl Harbor, the Fleet should have been kept on the West Coast instead.



REPRESENTATIVE KEEFE
His own statement was appended . . .

The majority report, on the other hand, pointed out that the Fleet was based in Hawaii as a deterrent to Japan, asserts that its presence there did deter Japan for a year and a half from attacking the Netherlands Indies. Furthermore, says the majority report, if the Fleet had been based on the West Coast, Hawaii might have been taken by amphibious attack and then the Fleet might have been attacked anyway, wherever it was.

President's moves. What course did President Roosevelt pursue, in the 10 days before the attack? On this question, the minority report says: "Having considered, without agreeing upon the proposition, that a message on the war situation should be sent to Congress, the President . . . pursued, from November 25 to December 7, the tactics of waiting for the firing of 'the first shot' by the Japanese."

REPRESENTATIVE GEARHART
. . . signed with the majority

On Nov. 28, 1941, President Roosevelt said to Secretary Stimson that he could see only three alternatives before him in the situation: "first, to do nothing; second, to make something in the nature of an ultimatum again, stating a point beyond which we would fight; third, to fight at once."

Two other possible courses were considered by the President. One was to lay the whole matter before Congress in a special message. The other was to make a direct appeal to Emperor Hirohito. He did make the last-minute appeal to the Emperor, too late to change the Japanese plan. But he never sent the message to Congress, and, except for the appeal to the Emperor, his course was to do nothing and await whatever military action the Japanese might take.

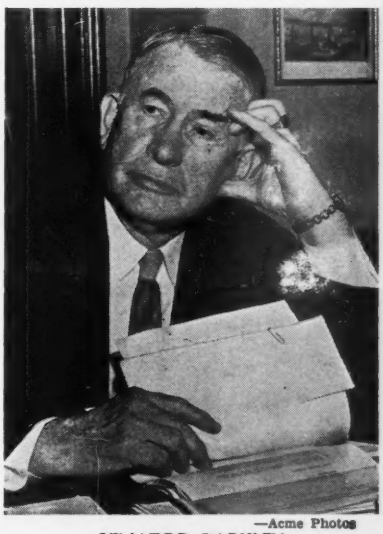
Messrs. Kimmel and Short. In what respects did Admiral Kimmel and General Short fail to do all they might have done?

The errors made by the Hawaiian commands, says the majority report, "were errors of judgment" and not "derelictions of duty." Seven such errors are listed in this report, including failure to take adequate measures in view of the warnings from Washington, to alert their establishments properly, to maintain liaison between their respective commands, to carry on reconnaissance to the maximum within limits of their equipment, to prepare against all possible attacks, to employ the facilities available for repelling the Japanese raiders, and to appreciate the significance of intelligence and other information available to them.

In addition to the points covered by the majority, the minority says: "Their radar was in an experimental stage and vital information revealed by it was improperly evaluated; their planes were grouped wing to wing on the field; a large number of officers and men were not at their posts; their ammunition was not immediately at hand for action." Also, declares the minority report, "the significance of Japanese submarines sighted early on the morning of December 6 was not properly weighed and information about such submarines was not diligently transmitted to responsible authorities for action."

This report continues: "Admiral Kimmel should have been aware of the meaning of code destruction and of the Japanese reputation for surprise action. He should have been vigilant."

On the question of how much information General Short had, the minority report says the evidence is much less clear and precise.



—Acme Photos

SENATOR BARKLEY
. . . to a 500-page report

Concluding as to the part played by Admiral Kimmel and General Short, the minority report declares: "The commanding officers in Hawaii had a particular responsibility for the defense of the Pacific Fleet and the Hawaiian Coastal Frontier. This responsibility they failed to discharge."

Washington's failures. In what respects did high military officials in Washington fail to do all they might have done?

The War Plans Division of the War Department, declares the majority report, "failed to discharge its direct responsibility to advise the commanding general he had not properly alerted the Hawaiian Department" when the latter reported that it was alerted against sabotage. Furthermore, it declares, the Intelligence and War Plans

divisions of the War and Navy departments failed:

"(a) To give careful and thoughtful consideration to the intercepted messages from Tokyo to Honolulu of September 24, November 15 and November 20 (the harbor berthing plan and related dispatches) and to raise a question as to their significance. Since they indicated a particular interest in the Pacific Fleet's base this intelligence should have been appreciated and supplied the Hawaiian commanders for their assistance, along with other information available to them, in making their estimate of the situation.

"(b) To be properly on the *qui vive* to receive the "one o'clock" intercept and to recognize in the message the fact that some Japanese military action would very possibly occur somewhere at 1 p.m., December 7. If properly appreciated, this intelligence should have suggested a dispatch to all Pacific outpost commanders supplying this information, as General Marshall attempted to do immediately upon seeing it."

The minority report also asserts that "by conflicting and imprecise messages and orders, high Washington authorities created such a condition of confusion relative to what the Hawaiian commanders were to do and were not to do about alerting and preparing for defense at Pearl Harbor, as to remove from such commanders that clear responsibility which would have otherwise attached to them by reason of their positions."

Finally, says the minority, "in the critical hours from the afternoon of December 6 to 10:30 a.m. on December 7, Washington authorities failed to take the instant action called for by their special knowledge of Japanese messages on those days which would have placed the Hawaiian commanders on the specific alert for probable danger to Hawaii."

Scapegoats? Were Admiral Kimmel and General Short unjustly maneuvered into taking the full blame for the disaster?

Representative Keefe, in his separate comment, tells of the manner in which these two officers were retired and court-martial proceedings for them were postponed. "The high civilian and military officials in Washington," he says, "who had skillfully maneuvered Kimmel and Short into the position of exclusive blame knew at the time all the hidden facts about Pearl Harbor, at least as much and probably more than this investigation has been able to uncover."

A somewhat different view is taken in the majority report, however, which declares:

"On the morning of Dec. 7, 1941, Admiral Kimmel and General Short were catapulted by the Empire of Japan into the principal roles in one of the most publicized tragedies of all time. That improper and incorrect deductions were drawn by some members of the public, with consequent suffering and mental anguish to both officers, cannot be questioned, just as erroneous conclusions were made by others with respect to the extent and nature of responsibility in Washington. But this is the result of the magnitude of public interest and speculation inspired by the disaster and not the result of mistreatment of anyone."

Winds message. Was there actually a "winds message" sent by Japan in code to her agencies abroad and revealing that war with U. S. was about to start? The majority report devotes 18 pages to this one question and concludes that no genuine message executing the winds code was received. The report, dealing at length with discrepancies in the testimony of Capt. L. F. Safford, of the Navy, suggests that he is "honestly mistaken" in the matter. The minority report also implies that no genuine winds message was decoded.

Messrs. Marshall and Stark. Another mystery the Committee sought to solve in its hearings last winter was this: Where were General Marshall and Admiral Stark on the evening of December 6? The majority report now says: "General Marshall has testified that, while he could not recall his whereabouts with certainty, he presumed he was at home. Admiral Stark could not recall his whereabouts, but evidence establishes that he was at the National Theater seeing the 'Student Prince.'"

Lessons. What lessons does the Pearl Harbor story hold for the future? The majority report recommends that immediate action be taken to insure that unity of command is imposed at all military and naval outposts, that Army and Navy intelligence agencies be integrated, that legal restriction handicapping intelligence agencies be removed, and that the Army and Navy follow procedures which will make a repetition of Pearl Harbor impossible.

The minority report says this: "In the future the people and their Congress must know how close American diplomacy is moving to war, so that they may check its advance if imprudent and support its position if sound. A diplomacy which relies upon the enemy's first overt act to insure effective popular support for the nation's final war decision is both outmoded and dangerous in the atomic age. To prevent any future Pearl Harbor more tragic and damaging than that of Dec. 7, 1941, there must be constant close coordination between American public opinion and American diplomacy. Eternal vigilance is still the price of liberty even in the atomic era."

—Acme

GENERAL SHORT

—U. S. Navy

RESULTS OF PEARL HARBOR

—Harris & Ewing

ADMIRAL KIMMEL

. . . the reports attempted to point out the failures in command

G.O.P.'S HOPES IN NEXT SENATE: DRIVE TO WIN CONTROL THIS YEAR

Prospects That Republican Upswing Will Stop Short of a Majority

Effects of isolationism, apathy, and local issues on November elections

Primary upsets of such veteran Senators as Henrik Shipstead in Minnesota and Burton K. Wheeler in Montana are raising questions in the minds of strategists in both parties. Is a voting trend developing against the "ins"? Has isolationism lost its vote-winning power as an issue? Control of the Senate in the next Congress may depend upon a proper appraisal of the reason why people are voting as they are.

If no dominant trend is taking shape against them, a chart of historic electoral tides indicates that the Democrats have an excellent chance of holding control of the Senate this autumn, but by a narrower margin than that by which they now rule that branch of Congress.

The odds, as revealed by the accompanying chart, are eight to three, on a historical basis, that the Democrats will lose ground in the Senate in the November election. But, by the same token, the odds are ten to six that the Democrats will not lose as many seats as the Republicans need to win control of the Senate.

Long-range election-tide charts for the Senate, just as for the House of Representatives, point to a continuing backswing in Democratic strength in the November election, primarily because this is a midterm election year.

The hope of the Republicans is that the backswing will take them across the threshold. But, if past performance in midterm elections means anything, the ground gained by Republicans will leave them just short of complete control of at least one of the two houses of Congress after the November election.

Average losses of the party in power in midterm elections run to a little more than six Senate seats. In 16 of the 22 midterm elections during the 90 years since the two parties took their present form, the party in power has lost strength in the Senate.

However, in 10 of these 16 elections these losses have been fewer than the nine seats that the Republicans need to win to give them control of the Senate. In two of the other midterm elections, the party out of power has won the number of seats that the Republicans need to win this autumn to give them the same number of Senators as the Democrats. In only four midterm elections over the 90 years has the party out of power won as many seats as the Republicans need to give them complete control of the Senate.

Midterm apathy. The lack of a presidential campaign with a nation-wide dramatization of the issues inevitably brings a falling off of votes in midterm elections. This usually causes the party in power to lose seats in both houses of Congress, irrespective of whether that party is Democratic or Republican. The impulse that drew out the vote for a presidential candidate and helped to sweep his congressional followers into office does not carry through to the midterm congressional campaign.

This sag of the party in power ranges from 5 to 20 per cent in the House of Representatives. In the Senate, where the 96 seats mean that one seat is about equivalent to 1 per cent, the range is narrower. The midterm sag usually runs from one to 12 seats.

Senate control, more often than not, has shifted in years of presidential elections. Through most of the nation's history, the Senate has lagged behind the House in its responsiveness to the popular will. Usually a change of party control in the House has been followed two years later by a change in control of the Senate.

In part, this is explained by the fact that popular election of Senators did not go into effect until the election of 1914. Prior to that time, Senators were chosen by State legislatures. The same election that would change the membership of the House of Representatives would alter the political complexion of the State legislatures. And, in the following election, the State legislatures would change the Senators.

Since 1914, the effect of the popular will upon the House has been reflected more quickly in the Senate. The fact that only one third of the Senate is chosen every two years, however, lessens the opportunity of the Senate to respond quickly to changes in the nation. The disposition of the Southern States to vote Democratic, solidly and unvaryingly, further lessens the chances of the Republicans to take control of the Senate in any one election.

The Roosevelt era. Oddly enough, the party position in both houses as Congress entered the Roosevelt era was similar to the present situation. In the elections of 1930, the Democrats fell just short of capturing both houses. Before the lame-duck session was finished and the new Congress was organized, Republican deaths and the choice of Democrats in special elections had given the Democrats control of the House. In the Senate, they were just one vote short of control.

Now, as the Roosevelt political era comes to an end, the party position in the two houses still is a close parallel. In the Senate, the Republicans are only nine seats away from control. In the House, they

Senatorial Battleground

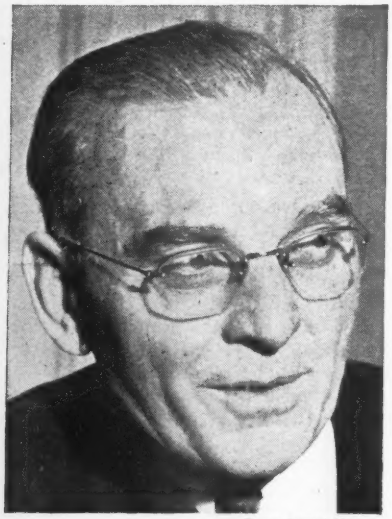
To win control of the Senate, the Republicans must hold the ground that they now have and win nine of the 23 Democratic Senate seats that are at stake in the November election.

Eight of the 23 Democratic seats are in areas where the Republicans have little chance of winning. These seats and their incumbents are:

State	Senator
Ariz.	Ernest W. McFarland
Fla.	Charles O. Andrews
Miss.	Theodore G. Bilbo
Nev.	E. P. Carville
Tenn.	Kenneth McKellar
Tex.	Tom Connally
Va.	Harry F. Byrd
Va.	Thomas G. Burch

The Republicans have 15 Democratic seats, out of the 23, upon which to concentrate their fire. To win control, they must hold the 13 seats they have at stake in the election and must capture nine of the 15 posts from the following areas now held by these Democratic Senators:

State	Senator
Del.	James M. Tunnell
Ida.	Charles C. Gossett
Md.	George I. Radcliffe
Mass.	David I. Walsh
Mo.	Frank P. Briggs
Mont.	Burton K. Wheeler
N. Mex.	Dennis Chavez
N. Y.	James M. Mead
Ohio	James W. Huffman
Pa.	Joseph F. Guffey
R. I.	Peter G. Gerry
Utah	Abe Murdock
Wash.	Hugh B. Mitchell
W Va.	Harley M. Kilgore
Wyo.	Joseph C. O'Mahoney



—Press Association

MINNESOTA'S THYE

—Harris & Ewing

MARYLAND'S O'CONOR

need to capture only 5 per cent of the seats to win control.

Apathetic voting in a midterm election might give them the House. A heavier drop than is normal for a midterm election might also give them the Senate. But, on the basis of statistical probabilities, the November election might easily turn up a counterpart of the 1930 election, with the Republicans, instead of the Democrats, stopping just short of complete congressional victory.

Republican hopes now are centered upon the possibility that they may be able to accelerate the normal midterm election drift away from the party in power. An economic upset that might set the voters to balloting against the party in control, or a greater-than-normal failure of large numbers of voters to go to the polls might turn the trick.

In 1942, when the vote shrank to abnormally low proportions, even for midterm elections, the Republicans won 10 Senate seats. In 1930, in the midst of the depression, the Democrats were able to capture only eight Senate seats in the midterm backswing away from the Republicans. That number would not be quite enough to give the Senate to the Republicans this autumn. From the standpoint of electoral change in the Senate, apathy in 1941 did a better job of losing seats for the party in power than depression did in 1930.

No depression now is in sight for this year, and, through most of the primaries of this summer, the voters have shown themselves apathetic, except in a few States where the issues were sharply drawn and interest ran high. In bitterly fought contests in Minnesota, Montana and Georgia, the primary voting set new high records.

In Minnesota and Montana, two of the States that have produced senatorial upsets, the issues clearly threshed out before the voters were the isolationist records of Senators Shipstead and Wheeler. The voters decided to substitute Edward J. Thye as the Republican candidate in Minnesota and Leif Erickson as the Democratic candidate in Montana.

In Georgia, the State's primary vote was built up to its highest level in history by the voting of youngsters between 18 and 21 and of Negroes.

Two of the five Senators who have failed of renomination were accounted for by Minnesota and Montana. Three of the seven House members who have failed of renomination were voted out in Georgia, where the popular vote in a congressional district, or in a State, means nothing and the decision is based upon an archaic system of county-unit tabulation.

The other Senators who have been rejected by their parties were Charles C. Gossett, in whose stead Idaho Democrats

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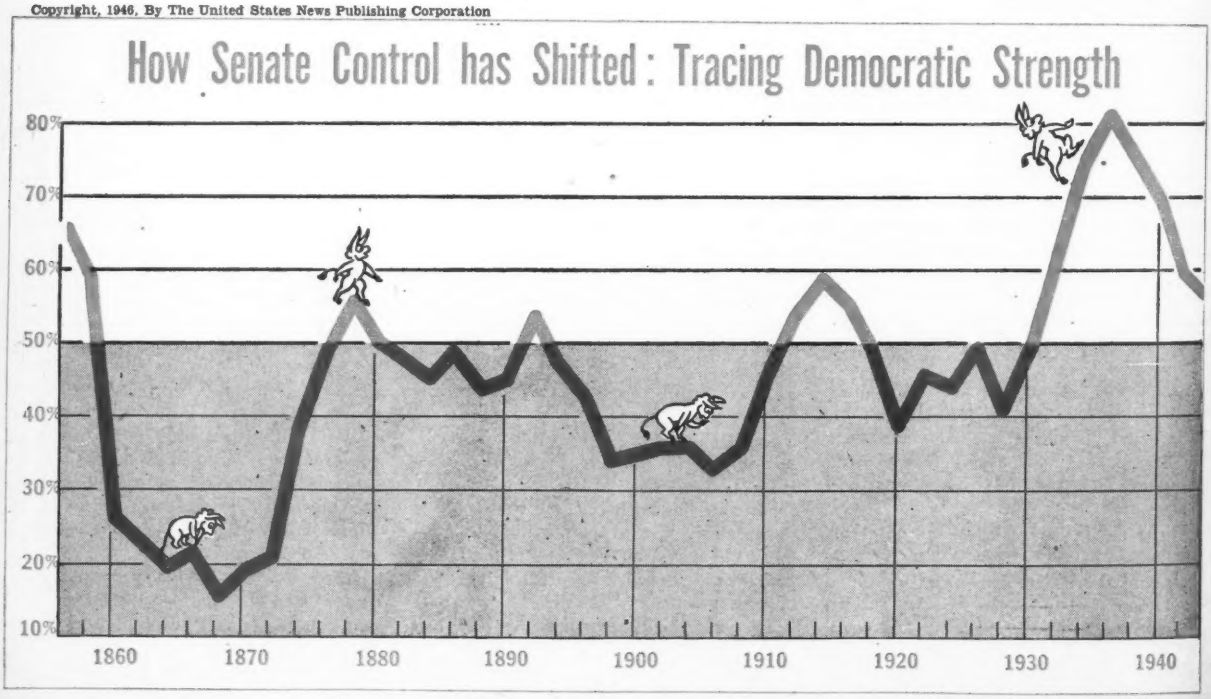


—Harris & Ewing

INDIANA'S JENNER

named George Donart; George L. Radcliffe, whom Maryland Democrats rejected for Herbert R. O'Conor; and Raymond E. Willis, whose wish for renomination was turned down by Indiana Republicans in favor of William E. Jenner.

With almost two thirds of the candidates chosen for the November election, and with only a dozen Senators and Representatives defeated among those who sought renomination, the hopes of Republicans for a wave of voting against the ins is growing thin.

Two of the biggest senatorial upsets—those in Minnesota and Montana—have occurred since the Office of Price Administration went out of business and prices began to rise. There the voting was heavy. And in Montana, the Political Action Committee helped to get out the vote against Senator Wheeler. In Arizona and in other States where there has been only a mild discussion of issues, the voting has been just as light since OPA went out as before.

Thirty-six Senate seats are to be filled by the November elections. Eight of these are in solidly Democratic areas where the Republicans have no chance of winning. Thirteen of the others are held by Republicans and by a Progressive who now is fighting for a Republican nomination. That leaves 15 Democratic seats for the Republicans to center their fight upon.

Fifteen seats. Looking over these areas, the Republicans find:

Delaware. Seat now is held by James M. Tunnell. He won by 51 per cent of the vote in 1940. But the Republicans elected a Senator there in 1942 and the Governor of Delaware now is a Republican.

Idaho. Charles C. Gossett was beaten for the Democratic nomination. Mr. Gossett was serving by appointment by a Democratic Governor to the post held by the late John Thomas, a Republican. The last senatorial election in Idaho in 1944 produced a Democratic Senator by a margin of 51 per cent of the vote.

Maryland. Mr. O'Conor, the present Governor, is candidate for the Democrats. In 1944, the Democrats in Maryland elected a Senator by 61 per cent of the vote. Maryland has not had a Republican Senator since Phillips Lee Goldsborough went out as a result of the 1934 election.

Massachusetts. The veteran David I. Walsh is opposed by his former Republican colleague, Henry Cabot Lodge, Jr. In his last election, in 1940, Senator Walsh got 56 per cent of the vote. Since then, the Republicans have elected Leverett Saltonstall to the Senate, but the Democrats hold the Governorship.

Missouri. Frank P. Briggs is trying for renomination. He now is serving by appointment to the seat formerly held by President Truman. In the last senatorial election, in 1944, the Republicans elected Forrest C. Donnell with just a shade more than 50 per cent of the vote.

Montana. Leif Erickson will run instead of Senator Wheeler. In the 1942 election, James E. Murray, Democrat, won by a shade more than 50 per cent of the vote. Montana has not had a Republican Senator in more than 20 years.

New Mexico. Dennis Chavez is running for re-election as the Democratic nominee against Republican Patrick J. Hurley. In the 1942 election the Democratic senatorial candidate got 59 per cent of the vote. The last Republican Senator from New Mexico was Bronson Cutting, who died in 1935.

New York. Seat now is held by James M. Mead, who may drop out to run for Governor. Mr. Mead captured 53 per cent of the vote in 1940. Democrat Robert F. Wagner got about the same proportion in 1944. Each ran with and got the personal backing of Franklin D. Roosevelt in those elections. In the interim, New York elected a Republican Governor. New York has not had a Republican Senator since 1926, when James W. Wadsworth, now a Representative was beaten by Mr. Wagner.

Ohio. James W. Huffman, the incumbent, is the Democratic nominee, opposed by former Republican Governor John W. Bricker. Republican Robert A. Taft won in 1944 by just a shade more than 50 per cent of the vote. The Democrats elected a Governor that year.

Pennsylvania. Joseph F. Guffey, the incumbent, is the Democratic nominee. He is opposed by Edward Martin, the Republican Governor. In the 1944 election, Francis J. Myers, Democrat, won by just a shade more than 50 per cent of the vote. Mr. Guffey got 52 per cent of the vote in 1940.

Rhode Island. The Democratic incumbent, Peter G. Gerry, is not a candidate. Mr. Gerry won by 55 per cent of the vote in 1940. Theodore Francis Green, his Democratic colleague, got 58 per cent of the vote in 1942—a midterm year. The last Republican Senator from Rhode Island was Jesse H. Metcalf, beaten in 1936.

—Acme

MONTANA'S ERICKSON

Utah. Abe Murdock, the incumbent, is the Democratic candidate. Mr. Murdock won 62 per cent of the vote in 1940. Elbert D. Thomas, his Democratic colleague, got 59 per cent of the vote in 1944. The last Republican Senator from Utah was Reed Smoot, who went out of office in the 1932 election.

Washington. Hugh B. Mitchell, the incumbent, is the Democratic candidate. Mon C. Walgren, his predecessor, a Democrat, got 54 per cent of the vote in 1940. His colleague, Warren Magnuson, another Democrat, got 55 per cent of the vote in 1944. Washington has a Democratic Governor and two of its six House members are Democrats.

West Virginia. Democratic Harley M. Kilgore is seeking re-election. He got a shade more than 51 per cent of the vote in 1940. Republican Chapman Revercomb got 55 per cent of the vote in the midterm election for the Senate in 1942. But West Virginia elected a Democratic Governor in 1944.

Wyoming. Joseph C. O'Mahoney is the Democratic candidate for another term. He got 59 per cent of the vote in 1940. Edward V. Robertson, his Republican colleague, got 54 per cent of the total in extremely light voting in the midterm election in 1942. Wyoming has a Democratic Governor.

When they look over the field, the Republicans find that their best chances for picking up the nine seats that they need lie in Delaware, Idaho, Missouri, New York, Ohio, Pennsylvania, West Virginia, and the longer-shot states of Montana and Massachusetts. Here is where their hottest fire is going.

Is U. S. Facing Currency War? Revaluation as a Trade Weapon

Tactics That Permit Other Countries to Counteract Price Upturn Here

Increased purchasing power for foreigners in American markets

Currency tinkering again is tempting the finance ministries of various nations. The idea, popular before the war, that countries can protect themselves from price changes by juggling the value of money, appears to be reviving. At present this policy is directed against the U. S. dollar, which other countries want to buy at bargain rates in terms of their own money.

Rising prices in the United States are at the root of the temptation. Higher prices in this country are making goods more costly to other countries, and they have to buy in U. S. markets because this country is the only place where any substantial volume of goods is available. But, by raising the value of their currencies, this price rise can be offset. If shoes, for example, should rise from $9 to $10 a pair, they would cost a Canadian no more if the Canadian dollar rose from 90 cents to $1 in value. He would continue to pay 10 Canadian dollars for them.

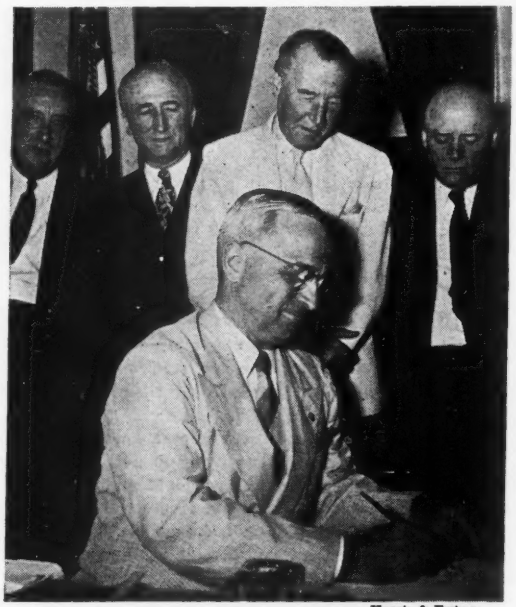
Upward revaluation of currencies in terms of the dollar thus is tempting.

Canada started the ball rolling when the Canadian dollar actually was jumped from 90 cents to $1. This action was explained on the ground that the Canadian dollar was stronger than indicated by the former official exchange rate, since Canada had held prices under tighter control than the U. S. Rising U. S. prices also threatened to boost Canadian prices because Canada depends heavily on U. S. supplies. Currency juggling thus was adopted.

Sweden is the second country to take a similar step. The krona was advanced from 23.7 cents to 27.7 cents. The reason given for this action is that an internal price rise was feared. In Sweden, wage rates are tied to the price level and officials want to avoid a rising wage-price spiral. So currency manipulation is being tried.

Other countries now are rumored to be considering the same tactics. The Dutch Finance Minister, Pieter Lieftinck, admits as much, and reports persist that higher values will be quoted for the Argentine peso, the Swiss franc and even the British pound, although the $3,750,000,000 credit just signed by President Truman was extended in part to forestall currency warfare.

These actions and rumors recall the prewar era, when countries generally jockeyed currencies to improve their trading positions. Germany and some South American countries made a fine art of the practice. The difference is that today nations are jockeying for a different advantage. They want to buy rather than to sell, so they are trying to increase the purchasing power of their money rather than to reduce their selling prices.



—Harris & Ewing

SIGNING THE BRITISH LOAN
. . . an obstacle to currency warfare

The U. S. dollar is the target for monetary as well as trading reasons. Not only is the United States the greatest source of supplies, but the dollar also is the world's standard for money values. The dollar's value is fixed at $35 an ounce for gold, and the dollar is the only currency in the world that can be freely exchanged for other currencies.

Any change in a currency's dollar value changes its relation to other currencies. Canada now offers to pay only 4.02 Canadian dollars for a British pound, instead of 4.43, and Sweden will give only 14.50 kronor instead of 16.92 kronor for a pound sterling. Action against the dollar thus serves to reduce the cost to Canada and Sweden of British products, and to increase the cost to Britain of Canadian and Swedish goods. The same situation will apply to debts owed to Sweden by Britain, Norway and Denmark.

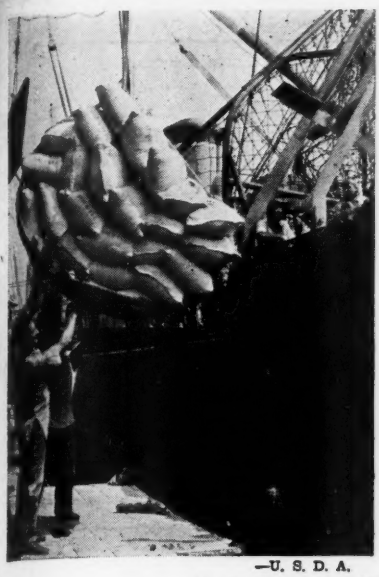
These ripples caused by currency tinkering are the forerunners of currency wars. Britain, for instance, might boost the value of the pound to adjust to the Canadian dollar and the krona, while not being particularly concerned over the U. S. dollar-pound relationship.

If a currency war should develop, it would amount to gambling in dollars. The net result to this country would be that imports would rise in price. A higher Canadian dollar automatically raises the price of Canadian newsprint to U. S. buyers, because they have to pay more U. S. dollars to get Canadian dollars.

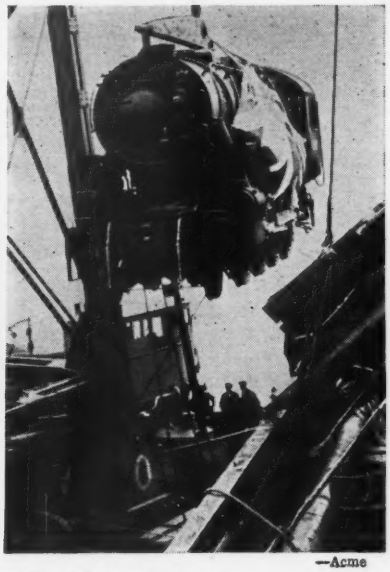
A hazard is involved, however, in currency tinkering. Widespread upward valuations in currencies may promise a temporary buying advantage in U. S. markets, but eventually when foreign businessmen must sell in U. S. markets, those countries might be left high and dry. Right now, by raising currency values, foreign countries can buy more cheaply and sell more dearly in U. S. markets, but the time may come when they would like to reverse this situation. Canada now can sell lumber to this country at almost any price, but, when the present abnormal demand subsides, Canadian timber may cost too much for U. S. buyers simply because Canadian dollars cost too much.

This situation was faced by France immediately after the war. The French franc at 2 cents proved to be too expensive for prospective buyers of French goods. A U. S. importer had to pay $2 for a 100-franc bottle of French wine. So the franc was brought down to around eight-tenths of 1 cent and the price of a 100-franc bottle of wine fell to 80 cents. The Frenchman, however, still got his 100 francs.

Actually, available data indicate that other countries have little reason to increase dollar values of their money except to take advantage of the present tight situation in material supplies. Price inflation



—U. S. D. A.



—Acme

U. S. EXPORTS LEAVING FOR EUROPE
. . . a drop in U. S. prices would turn the tables

in Europe, Latin America, and even in England, has gone further than in the United States, which is a rough indication that present currency values are high in dollar terms rather than low.

A drop in U. S. prices in another 12 or 18 months, which is considered probable, would turn the tables. The United States then would have more abundant supplies and probably would be seeking foreign markets. And, because of overvalued currencies, U. S. producers might find buyers more readily than Swedish producers. Then the pressure would be to lower values of other currencies in relation to the dollar.

The uncertain course of U. S. prices over the next year or so, in fact, may restrain countries generally from yielding to the present temptation to push up currency values. The president of the Swiss National Bank denies the validity of rumors that Swiss revaluation is planned, and British financiers see more danger than advantage in indulging in currency warfare now.

The World Monetary Fund is another factor weighing against a currency war. By the time U. S. prices settle down, the Fund is expected to be operating, and, for most countries of the world, currency values then could not be easily changed. All important trading nations, except Russia, Sweden, Switzerland and Argentina, are members of the Fund.

This institution is, in effect, an Anglo-American bid for stability in currency values, an agency designed to prevent currency warfare by supplying members with the currencies they need to settle trade balances. Membership in the Fund carries with it an obligation to avoid any change in currency values for the sake of trading advantages. Any alteration in values beyond an initial 10 per cent, up or down, requires the consent of the Fund.

The United States is depositing $2,750,000,000 in the Fund, a contribution that promises to supply far more dollars than could be gained by monetary tinkering on a nation-by-nation basis. And withdrawal from the Fund can be immediate. Outbreak of a currency war on any large-scale basis, therefore, could lead to a U. S. resignation, and an end to this experiment to bring order into money relations.

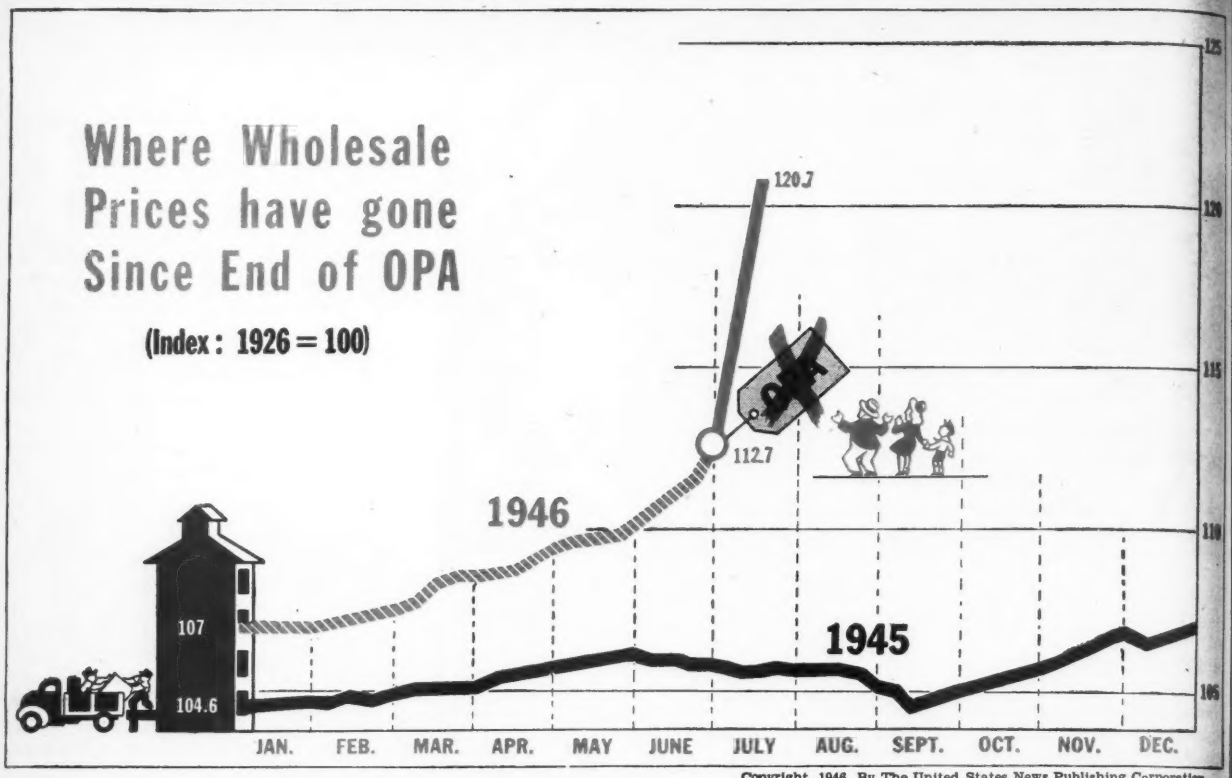
Right now the Fund's staff, under Managing Director Camille Gutt, is trying to reach a basis for setting original values on world currencies. Those values are to be set in terms of the U. S. dollar at its present gold price. Director Gutt is the man who, as Belgian Finance Minister, directed drastic currency reforms for Belgium after that country was liberated from Germany. He followed a policy that reduced the supply of money and lowered prices. He is expected to frown upon attempts to value currencies at inflated levels and to advise that currency tinkering will provide no lasting solution for price problems caused by internal difficulties. The unsettled price situation that prevails in the United States, however, is likely to complicate the Fund's task.

Currency relations are expected to be discussed formally when the Board of Governors of the Fund meets in September. After that, negotiations between the Fund and member nations must be conducted before final values can be fixed, so it will be late in the year before operations definitely can begin. This unavoidable delay in Fund affairs is likely to cause most countries to hesitate before they follow the path that has been blazed by Canada and Sweden.

Meanwhile, any individual decision to alter currency values is expected to be bolstered with strong arguments. Monetary experts are inclined to grant Canada's case for a par dollar, but the action of Sweden, which is not a member of the Fund, is considered a bit hasty.

—Harris & Ewing

DIRECTOR OF THE MONETARY FUND: CAMILLE GUTT
. . . any currency tinkering would be discouraged



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Rising Price Trends Since OPA: New Records for Food Products

Prices are continuing to move sharply higher in the absence of controls. This rise now is reflected most broadly in prices of commodities at wholesale. Later on, the wholesale price rise will show up more generally in retail prices.

The accompanying chart, based upon the official index of prices of more than 900 commodities, shows what has been happening. This broad index is the least sensitive to rises in individual commodities.

Upward trends. What is disclosed is this:

In all of 1945 the general price index rose 2.4 points, from 104.6 to 107. That's a 2.3 per cent increase.

In 1946 before OPA died the index jumped from 107 per cent to 112.7 per cent of the 1926 base. That rise was at a rate five times as great as in 1945.

In 1946 after OPA, in the first two control-free weeks, prices of these 900 commodities at wholesale shot up from 112.7 to 120.7—4.5 points in the first week and 3.5 in the second. That rise was at a rate more than 80 times as fast as the 1945 rate.

It is necessary, however, to see where the rises are occurring. After two weeks without OPA, this is found to be the situation:

Food prices led the increase. In fact, with farm products, they account for most of the total advance. Their 18 per cent increase in two weeks represents a rise 200 times as rapid as the 1945 rate of increase. At 134, the food-price index was at a 26-year peak. So rapid was the rise that late in the third week consumer resistance, along with heavy marketings, brought a sharp break in the advance of the leading food items.

Meat prices, after a rise averaging 17.7 per cent in the first week, registered second-week gains ranging from 2.5 per cent for beef in New York to more than 75 per cent for some pork products. That beef rise, which was more than the amount formerly paid in subsidies by the Government, reflected higher cattle prices, with choice steers at the end of two weeks selling at $23 a hundred pounds, later going as high as $27 a hundred.

Butter prices rose an average of 17 per cent the first week and 6 per cent the second. The jump of 17 cents a pound, compared with the former subsidy of 13 cents, set the average price of 73.5 cents, probably the highest level in history.

Flour prices increased more than 40 per cent in the second week alone.

Farm products rose slightly the second week, after a 9 per cent first-week jump.

Cotton, after gains of 3.8 per cent and 5 per cent in successive weeks, sold at 34.2 cents a pound, a 23-year peak.

Egg prices dropped 1.1 per cent the first week, only to bounce up 2 per cent the second. Milk, white potatoes, lemons and onions continued to rise.

Grain prices, however, fell off 2 per cent the second week after rising 23 per cent the first week. And increased marketings brought at least a temporary break in livestock and poultry prices in the second week, after an increase of 13.7 per cent.

Industrial commodities, meanwhile, pushed up only moderately. Some items rose sharply, but few were much if any above former OPA ceiling prices.

Lead and zinc, after rising the amount of lost subsidy in the first week, jumped another 15 per cent the second week. Some iron and steel products were up.

Metals and metal products generally, however, advanced only 1.2 per cent in the first two weeks without control.

Textile products at wholesale climbed less than one half of 1 per cent in the same period, while fuel and lighting materials, house furnishings, and chemicals and allied products advanced 2.5 points.

Building materials generally rose little more than 1 per cent.

The net result of all these increases is to be sharply higher prices, sooner or later, for the things consumers buy.

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MIDLAND BANK LTD., ENGLAND—More than 1,000 branches of Midland Bank in England are equipped with Burroughs machines. The picture shows a typical accounting machine installation in a London branch.

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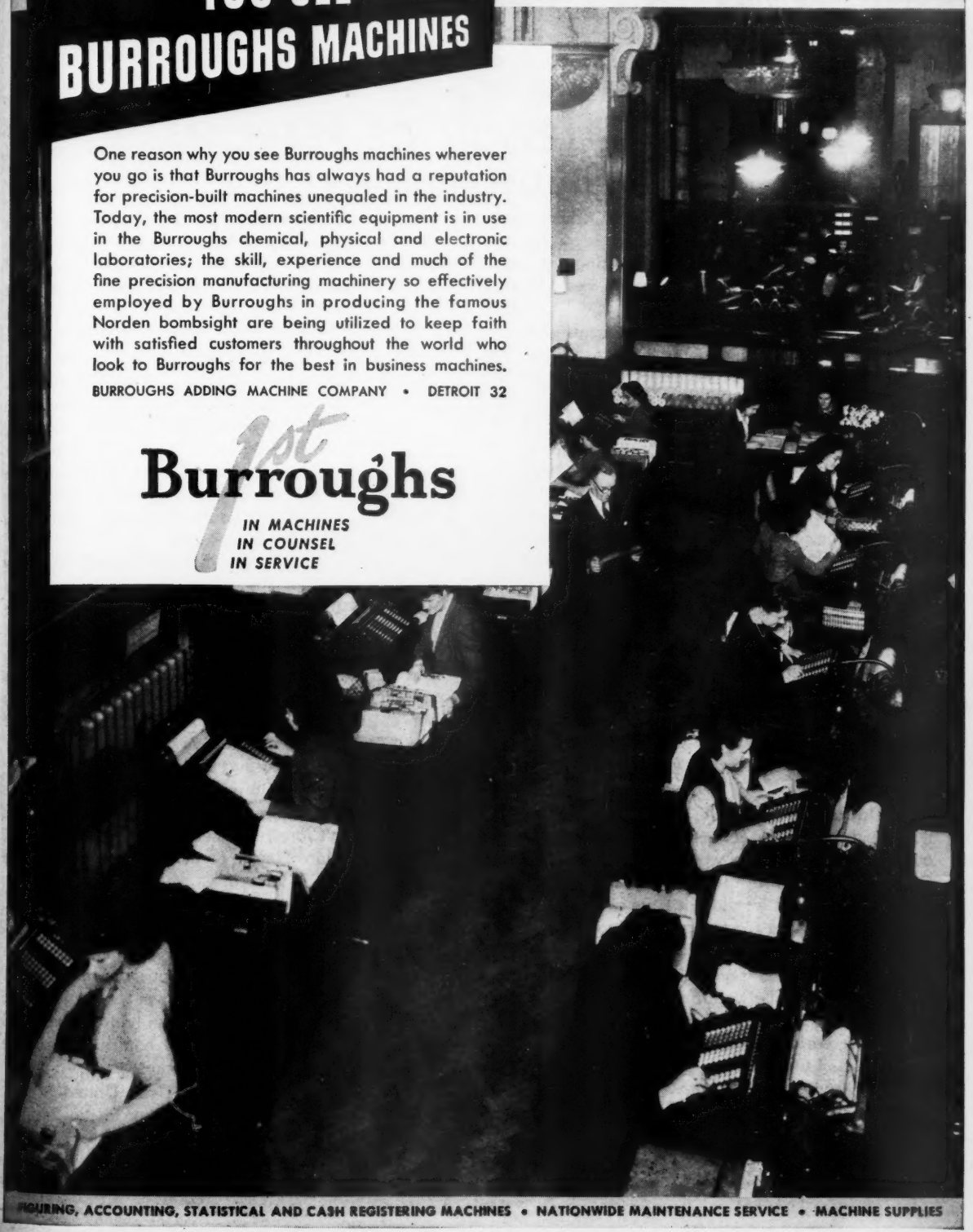

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"In proportion as the structure of a government gives force to public opinion, it is essential that public opinion should be enlightened."
GEORGE WASHINGTON

The United

July 26, 1946

(These two pages present each week the opinion of The Editor, the other members of the staff who report, interpret, and

★ LACK OF AIR POWER— REAL LESSON OF PEARL HARBOR

By David Lawrence

One single fact stands out above all others in the report just issued by the Joint Committee of Congress which for months has been investigating the grave defeat suffered by our armed forces at Pearl Harbor in December 1941.

It is that we were caught napping—not just because our forces were not alerted but because we did not have the necessary planes to detect and ward off the attack of Japanese naval carriers.

We can argue interminably hereafter as to the responsibility of the late President Roosevelt, who was Commander-in-Chief, or of Cordell Hull, who was Secretary of State, or of General Marshall and Admiral Stark, who had the top commands in Washington, or of the failures of General Short and Admiral Kimmel at Hawaii—but we shall not ever erase the simple fact that, even if we had had adequate warning, the Japanese could probably have inflicted, just the same, enough damage to cripple our fleet for many months while they swept southward to the Philippines and the Netherlands East Indies.

We must be realistic and we must be fair. The Japanese sent a fleet of carriers, with nearly 400 planes, to make the attack. We did not have in and around Hawaii an adequate air strength to resist the attack successfully.

We lacked the planes: The Pearl Harbor Committee says that what we sent to foreign governments out of our meagre plane production was not excessive. Opinions will differ on this but there can be no debate about the fact that we did not have enough either for ourselves or for the foreign countries to which it was vital that we should send aid in 1941.

The congressional report is enlightening on this point. It says that, between February 1 and November 30, 1941, there were delivered only 210 heavy bombers —the only ones capable of long-distance reconnaissance—and of these 113 were ordered by foreign countries and paid for with cash. We learn also that 146 planes were delivered to our carriers during that same period.

What a tragic record! Here we have the most powerful nation in the world industrially, and just three years after Pearl Harbor we were turning out 100,000 planes a year. Yet the United States was unprotected against attack by a naval carrier task force of the enemy while our fleet was materially impaired by a devastating blow of a few hours' duration.

Air power the answer: We had the industrial capacity. We had the materials. We had the designs. But what did we do with them? Who failed? Both the Army and Navy must share the blame for failing to tell the American people how really unprepared we were. Responsible officials of our government, in the legislative as well as the executive branches, were at fault in not insisting on a better defense with planes for both the Army and the Navy.

Air power, both as an adjunct of sea power and as an instrument of force emerging from land bases alone, was the answer to our defense problem before Pearl Harbor just as it was in the subsequent months.

Surface ships that protect carriers in task forces, and submarines that play havoc with the enemy's shipping, and amphibious forces which land on rocky shores and take bases needed for airfields—all these are prerequisite to an effective military establishment, and they played their part well.

But without an important ingredient, the battle can be lost. The ingredient we missed was air power and we didn't foresee its necessity either in Congress, or in the White House, or across the country where public opinion is formed.

Weaknesses in the Pacific: Over the past weekend, the U. S. Strategic Bombing Survey, a distinguished group of eleven civilians, made its report on air power in the Pacific at the request of the President. For several months the Survey has been studying the records and the evidence in Japan and Germany, and committee members visited the bombed areas. Here is what its latest summary report says:

> "December 7, 1941, found the United States and its Allies provocatively weak in the Pacific, particularly in land and carrier-based air power. The Allied air groups actually in the Pacific were

United States News

"I wholly disapprove of what you say but will defend to the death your right to say it."
VOLTAIRE

(The editorial pages of The United States News are written in their entirety by the editor. The news pages present national news irrespective of the editorial views expressed here.)

All investigations of Pearl Harbor attack come finally down to single salient fact that United States did not have the air power to prevent Japanese successes—Nation again making same mistake.

not only few in number but, in large measure, technically inferior to those of the Japanese. The Japanese strength had been underestimated. Ninety P-40s and 35 B-17s in the Philippines could not be expected to check the Japanese push southward. Three of our seven aircraft carriers were in the Atlantic and one training in the Gulf of Mexico. Even at that time, however, we had begun to see, more clearly than the Japanese, the full scope of the basic requirements for air power. Our programs for training, production, maintenance, logistics, and intelligence were limited, not so much by a lack of concept as by the time required for their development and fulfillment. . . .

"Prior to the European war, we underestimated the predominant role that air power was to play and allocated to it too small a share of even the inadequate resources then available to the Army and Navy. At the outbreak of the Pacific war, our deficiency was particularly great in modern land-based fighters and in carriers. One thousand planes in the Philippines, at least equal in performance to the best then available to the Japanese, including types effective against shipping, well-manned, equipped and supplied, and dispersed on some 50 airfields, would have seriously impeded the original Japanese advance if knowledge of their existence had not entirely dissuaded the Japanese from making the attempt. The loss of relatively antiquated battleships at Pearl Harbor had little effect on the Navy's combat capabilities at that time, while the addition of a few carriers would have enormously increased its capabilities. Larger overall appropriations to the armed forces, beginning at the time of Japanese occupation of Manchuria when the threat to peace in the Far East became evident, might have made war unnecessary and would have paid for itself many times over in reduced casualties and expenditures had war still been unavoidable.

"Upon entering the war, we were deficient not only in numbers, but in quality of many of our aircraft types. We were forced thereafter into hasty and costly modification and technical development programs to raise the performance of our aircraft to acceptable standards. These programs could have been conducted more efficiently and economically during prewar years."

Lesson still unheeded: But have we learned our lesson? Not at all. All the reader needs to do to convince himself of the truth of that statement is to turn to the back pages of this magazine—pages 67 through 74 of this issue, to be exact—and read another congressional report which has just been presented by the Senate Committee Investigating the National Defense Program—known now as the Mead Committee and formerly called the Truman Committee.

In that report we are told what has happened to our aircraft industry since V-J Day. It is a sorry story. How much interest has the public taken in the fact that we are demolishing and scrapping or letting run down some of the very facilities needed to maintain our air power for the use of both the Army and the Navy?

Here is what the Mead Committee of Senators says in its unanimous report:

"Since hostilities ended, the wartime aircraft industry has made a remarkable adjustment to the severe reduction in aircraft production and has demonstrated ingenuity in converting to peacetime aircraft production and in switching to other civilian products. However, it must be borne in mind that the airplane industry has been deflated to the approximate size it was in December 1940. It would take 2 years to rebuild the industry to its productive capacity of September 1945."

The conclusions reached by the U. S. Strategic Bombing Survey are in some respects more important than the report of the Pearl Harbor Investigating Committee. The text of these conclusions is printed in this issue, starting on page 63. It should be read carefully by the Congress of the United States and by the American people.

XUM

PLUNGE INTO THE CAMPAIGN

Mr. Truman's Plan to Take Stump for His Candidates if Necessary

Injection of White House influence in the Missouri primary to support friends

Democrats now are becoming convinced that they have the toughest kind of fight ahead of them in November if they are to keep control of Congress. President Truman, himself, is ready to take the stump in the autumn campaigning if needed. And he is throwing all of the weight he can into the Missouri primary fight to secure the nomination of his friends and the defeat of those who have opposed him.

All of this became clear from the series of questions and answers at the President's press conference last week.

Foreign affairs. Mr. Truman opened the conference with the announcement that he had appointed delegates to the second part of the first session of the United Nations General Assembly. The delegates are: Senator Warren R. Austin of Vermont, senior member during the absence of the Secretary of State, and Senators Tom Connally of Texas and Arthur H. Vandenberg of Michigan, Representative Sol Bloom of New York and Mrs. Eleanor Roosevelt.

The President said Secretary of State Byrnes will attend some of the meetings, but that he, the President, will not go.

Mr. Truman answered questions about international finance, prices and politics:

Do you intend to ask Congress for additional appropriations for foreign loans?

The President does not.

Does this mean the Export-Import Bank will not get the $1,250,000,000 [mentioned by Mr. Truman in a message to Congress as needed, but not formally requested]?

Mr. Truman thinks this will come along in the next Congress as a routine matter.

Do you favor the plan for a $100,000,000 loan to the Philippines?

Yes, the President does.

Will there be a loan to Russia?

Mr. Truman has not heard of such a loan.

OPA. Will you name a successor to Chester Bowles [recently resigned Stabilization Director]?

Yes, the President will, as soon as he gets a law for the OPA to operate.

Do you believe the rise in prices is in accordance with your own fears?

Mr. Truman believes they have gone up as he indicated they would.

Do you look for prices to go even higher?

Surely, they will unless we get another OPA bill, Mr. Truman said.

Missouri primary. Can you tell us what you will do in the Missouri primary?

The President will go home to vote in August.

Can you say anything about [Representative] Roger Slaughter [Dem., of Missouri]?

Mr. Truman is interested in that situation.

Are you for or against Mr. Slaughter?

The President is against Mr. Slaughter. If he is right, the President is wrong.

Have you conferred with James Pendergast [of Kansas City] on Mr. Slaughter?

The President has. Mr. Pendergast also is against Mr. Slaughter. In fact, Mr. Pendergast has indorsed Mr. Axtell in that race.

Did you encourage Mr. Pendergast to indorse Mr. Axtell?

Mr. Truman did.

What are your specific reasons for opposing Mr. Slaughter?

Well, the President said, he would like to see someone else nominated for the place. In the House Rules Committee, Mr. Slaughter has been opposed to everything Mr. Truman has asked Congress to do.

Are you indorsing Mr. Axtell on his record, or do you know him personally?

The President said he knows Mr. Axtell very well, has known him all of his life and has known his family. Mr. Axtell is an old neighbor of Mr. Truman's.

For our information, can you tell us his first name?

Mr. Truman said he thought it was Herbert. A Kansas City Star *reporter corrected him to say it was Enos.*

The national campaign. Are you going to make any speeches during the national campaign?

The President will see how the situation develops. If there is need, he will make speeches.

Will you make any speeches in New York during the campaign?

Mr. Truman has no plans now.

But you do plan to speak in behalf of the party if it is necessary?

Yes, the President does.

Will Mr. [Robert E.] Hannegan continue as National Chairman during the campaign?

Mr. Truman said Mr. Hannegan will. He has been a good Chairman and the President wants him to stay. There has been some talk of illness, but Mr. Truman has no intention of naming a successor to Mr. Hannegan.

Vacation. Do you have any vacation plans?

No, the President does not. He probably will go to Missouri to be there from August 3 to August 6. He will fly there and back. Mrs. Truman will go with him.

What is your political choice in your home district?

Mr. Truman favors the present Democratic Congressman from his district, C. Jasper Bell. But Mr. Truman does not believe Mr. Bell has any opposition to worry about. A Kansas City Star *reporter interjected that some people in Missouri think that Mr. Slaughter has no opposition to worry about either.*

The President's home State impressed itself upon Washington in quite a different way during the week. In a name-changing operation, what had been Concord Avenue in Northwest Washington became Missouri Avenue. There had not been a Missouri Avenue in Washington for more than 15 years. The original Missouri Avenue vanished during the building operations of the Hoover and Roosevelt administrations. It was swallowed up by buildings for some of the federal departments whose operations the man from Missouri now directs.

—Harris & Ewing

MISSOURI COMES TO WASHINGTON
Mr. Truman thought of home

XUM

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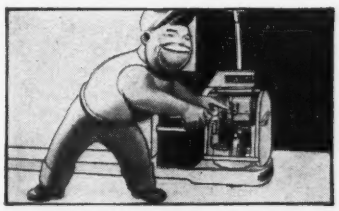

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Pro and Con of National Issues

Outlook for Another Strike Wave If Living Costs Rise: Press Views

The current lull in major strikes finds most of the nation's editors looking forward apprehensively to another round of work stoppages when present contracts expire.

Recent statements by labor leaders, the failure of Congress to pass restrictive legislation, and the Administration's attitude toward labor are among the factors cited by the editors. Many regard the fate of the Office of Price Administration as the key to the whole situation, and editors taking this viewpoint urge the reinstatement of price control.

Those editors who do not expect another strike wave believe that there are signs that labor leadership is becoming more responsible and is beginning to adopt the opinion that wage increases gained through strikes are likely to be followed quickly by price increases.

"It all depends on the cost of living—the ancient H. C. L.," says the Johnson City (Tenn.) *Press Chronicle* (Ind.). "If prices skyrocket, labor experts predict major strikes in the latter part of this year and in the beginning of next year."

"The fate of the OPA will determine the amount of labor unrest we shall have in the months ahead," observes the Youngstown *Vindicator* (Ind.-Dem.). "If prices are allowed to keep rising without anything to check them, wages will lose their purchasing power, . . . new demands will follow, and will be enforced, if necessary, by strikes."

But the Topeka (Kans.) *Daily Capital* (Rep.) believes it "illogical to blame removal of OPA ceilings for strikes to come." This paper points out that "there were strikes when OPA was at the crest of its power," and adds: "The truth is that there will be strikes and more strikes as long as a labor-dominated Government persists in giving unions what they demand and at the same time asks the rest of our citizens to bear the cost burden."

In more than fifty major industries, wage-and-hour contracts can be reopened with the expiration of price control, according to the Scranton (Pa.) *Tribune* (Ind.). "Does anyone seriously believe that these contracts are not going to be opened when the price increases come to fuller bloom?" the *Tribune* asks.

The Pueblo (Colo.) *Star Journal* (Ind.) regards as hopeful the fact that recent large strikes were not followed immediately by a series of smaller strikes. It predicts that "more disputes will be settled while men remain at work than has been the case in the past."

"This country is not going to stand for another such wave of strikes as it had last winter," says the Augusta (Ga.) *Chronicle* (Dem.).

The Chicago *Daily News* (Ind.) has conducted a survey of conditions in the Chicago area which, it believes, reflects a national trend. The survey shows: "The number of men idle from strikes is down. So are the notices of intent to strike. Absenteeism is down." And, the *News* adds, quoting a Chicago labor conciliator, "The spree is over."

—Werner in Chicago Sun

ALL OVER OR JUST A LULL?

"We know that strikes and lockouts are in the offing," counters the Piqua (Ohio) *Daily Call* (Rep.). "Nothing short of irresponsibility in the top levels of our National Government can sanction complacency in the prospect . . . The capitalistic system has the flexibility and adaptability to outmode these periodic resorts to self-immolation."

By the end of this year, a flood of consumer goods will force prices down, and make strikes unnecessary, in the opinion of the Alton (Ill.) *Evening Telegraph* (Ind.). "It will take a lot of discipline and self-restraint for labor to refrain at this time from demanding new increases," the paper says, "but the upward spiral has to be stopped somewhere if money is going to retain its value."

"What labor needs, and what this country needs," suggests the St. Louis *Globe-Democrat* (Ind.), "is a strike truce which will let everyone get back to work."

XUM

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DEATH and disaster are the high stakes against which they race. Yet we take for granted the protection given by modern fire fighting equipment in more than 3200 American communities.
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UNITED STATES CONSUMERS are finding that, in terms of what they can buy, their dollars are shrinking in value. Actually, this has been going on since 1940, but the process had been gradual until recent weeks. Now the dollar's purchasing power is falling so fast that every housewife is aware of it.

What is happening to the buyer's dollar is shown in the Pictogram.

In 1939, a dollar would buy 100 cents worth of food, clothing, shelter or other goods. That year is accepted as a base year for the dollar's value.

By June, 1946, just before price controls went off, a dollar was required where 75 cents would have sufficed in 1939. The war had lopped a quarter off the buying power of the consumer's dollar.

By January, 1947, if price rises send the cost of living up another 15 per cent, as expected, a dollar will be worth only 65 cents in terms of 1939 prices.

What it means. A family that had $200 a month after taxes in 1939 now needs $266 a month after taxes to live as well. This group will need $307 next January to maintain 1939 living standards. That is a measure of what shrinking dollar values mean to American families.

Factory workers, most of whom have received pay raises of 15 per cent in recent months, are soon to find that the added money they are getting will put no more food into the family larder. This discovery could touch off another round of demands for still higher money wages.

White-collar employes, whose salaries generally fail to rise as fast as the earnings of wage workers, are to find that the dollars in their pay checks will not go as far as they used to go for rent and food and clothing.

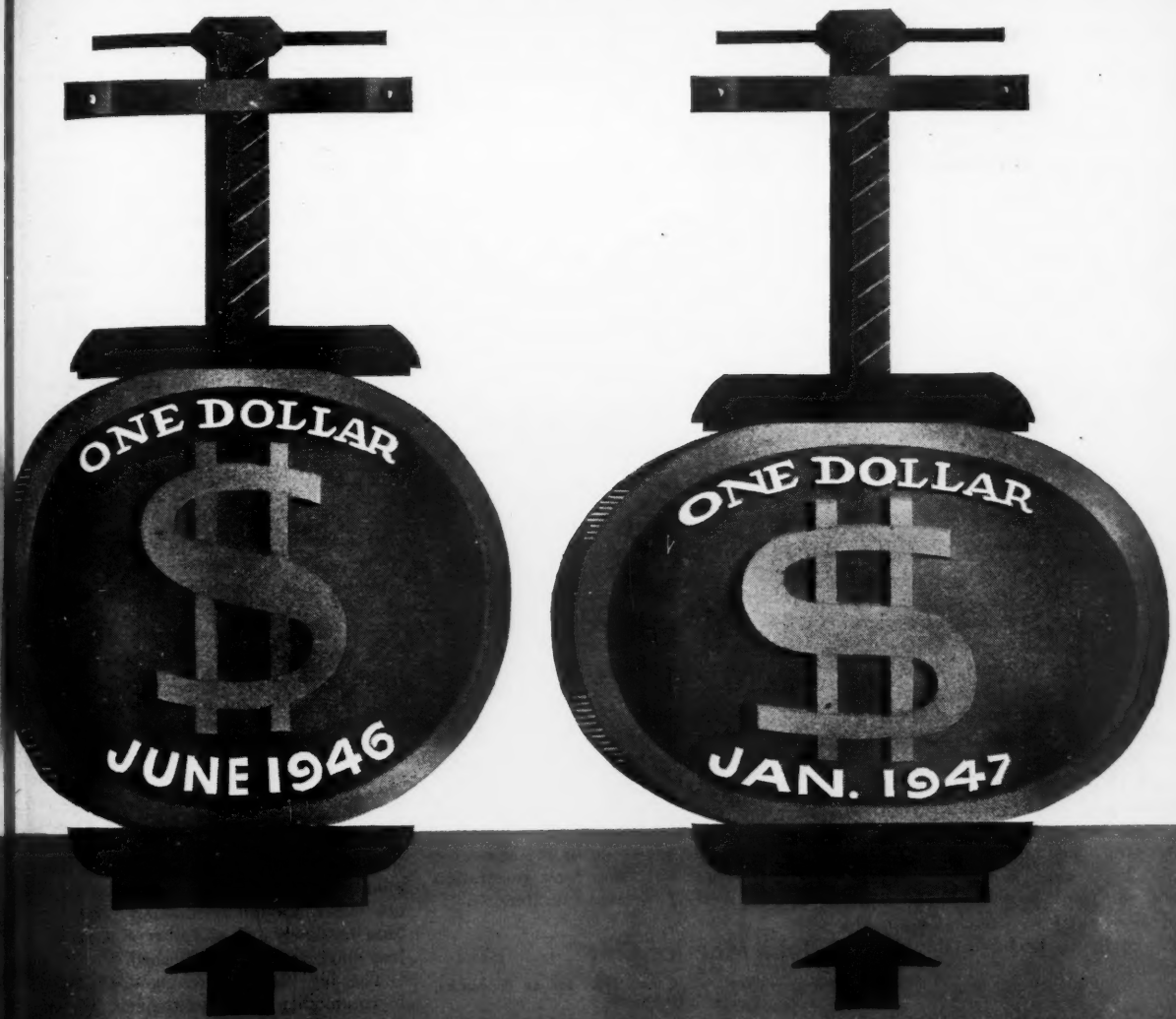
Schoolteachers, pensioners, retired persons and others with relatively fixed incomes are to be pinched hardest. The shrinking value of the dollars they receive will be reflected directly in a lower standard of living.

Farmers, on the other hand, are likely to find their money incomes climbing faster than prices of the things they buy. Farmers' incomes are particularly sensitive to rising prices, and they are in a position quickly to demand more dollars for the products they have to sell. And this year they have bumper crops.

The mass of the people, however, are to find that 65-cent dollars really hurt. Government surveys show that 70 per cent of the nation's families live on less than $250 a month, which means that this 70 per cent are going to have very little left after meeting the rent, grocery and clothing bills.

Pictogram

Value of the Dollar



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WITH ESTIMATED 15% RISE IN COST OF LIVING

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If a Price-Control Program Is Not Restored, Will the Nation Experience 'Boom' and 'Bust'?

President Truman's veto of the original OPA bill, which had passed both houses of Congress, has caused widespread debate among the American people. Some believe that resultant higher prices would end inevitably in a boom, to be followed by a bust when supply overtakes demand. Others argue that, without Government control, supply and demand would create a more balanced market.

To present a cross section of public opinion, The United States News *asked economists, bankers and others the following question:*

Without control of prices, do you think there will be a "boom" and "bust"?

Answers are printed herewith.

Leonard P. Ayres

Cleveland, Ohio; Economist; Vice President, Cleveland Trust Co.,

answers:

We are already having a commercial boom, but not much of an industrial boom. In manufacturing the new break-even points are too high, and the productivity of workers is too low to produce much of a boom. I believe these restrictive conditions will gradually improve, but I doubt if we shall look back at the second half of 1946 as being a "boom" period. If we have only a mild boom, the subsequent "bust" may be mild, but that is by no means assured. We cannot succeed in having a low-production prosperity, but the sort of prosperity we are having could be followed by an uncomfortably serious depression.

Edwin G. Nourse

Washington, D. C.; Vice President, The Brookings Institution; Former President, American Economic Association,

answers:

A "Yes" or "No" answer is impossible. Removing controls in our present scarcity situation imparts a strong upward tendency to prices, and business management, by and large, has shown little inclination to follow Philip Reed's [chairman of the board of General Electric Co.] counsel to hold down "scrupulously" on prices "even at the expense of normal profit margins."

If prices are raised to any considerable extent, we may be sure of new wage demands, new agrarian demands, new withholding movements and an inflationary spiral—boom and bust.

On the other hand, if producers will continue to supply the market in volume even in the face of doubt about near-term profits, supply-and-demand factors will hold prices down and damp out the inflationary fire. Similarly, consumer resistance to advancing prices, if widespread but discriminating, would act as a check. But if producers respond to buyers' strikes by curtailing volume to support prices, we would get a "disappointing reconversion" now similar to, but more disastrous than, the "disappointing recovery of 1937."

Frederic E. Lee

Urbana, Ill.; Professor of Economics, University of Illinois; Former American Financial Trade Commissioner, American Embassy, London,

answers: (by telegraph)

If price controls disappear I do not believe we are in for a period of "boom" and "bust." Prices in a free economy furnish a mechanism for determining wants of people as shown by their bids in the market. This mechanism has not been allowed to function under OPA and gross distortions in supply and demand relations have appeared.

Free price movements will encourage production in fields of greatest shortages. Price rises in many lines may be expected, but, given a few months of uninterrupted production, greater supply and competition will bring prices down to reasonable levels. Buyers' strikes to force restoration of OPA merely aggravate matters.

John Maurice Clark

Westport, Conn.; Professor of Economics, Columbia University,

answers: (by telegraph)

My answer is "Yes." Without much doubt, we already have an inflationary boom with demand for rebuilding depleted inventories as an unstable factor likely to slump when expansion stops. This makes stabilization difficult, whatever happens to price control.

Without price control or with ineffective control expected to end any moment, speculative demand would be added, greatly increasing our vulnerability. The best chance is with price control in which people have confidence that it will remain effective until supply catches up with demand.

I believe even imperfect price controls could be of considerable help.

O. Glenn Saxon

New York, N. Y.; Chairman, Advisory Committee, The American Economic Foundation,

answers:

Briefly, in the sense that you used the words "boom" and "bust," I do not anticipate that either will develop. Without doubt, we should have a prolonged period of high-level production with prices for the next year to year and a half rising above the OPA levels of the past six months. It is not likely, however, that the increase in the general price level will exceed the really effective market of the past year, namely, the black market.

While individual prices may rise above the black-market level, the tendency without OPA would be for prices to rise above the arbitrary limits fixed by the Government for varying periods depending upon the condition of each particular industry, and then decline slowly as full production effects lower unit costs, as competition becomes more effective, and as the most pressing consumer needs are supplied in each field.

Progressively, the buying public will shift from one product to another at the higher price levels and then the market will slowly become a buyers' market to meet the vast accumulated demand which will be effective only at lower price levels.

If the Government will permit the full revival of production and competition on the domestic markets, and discourage governmental controls and state trading on foreign markets, the sharp "bust" of commodity prices of the period 1926-39 should not occur, though commodity prices will tend to slowly fall as full production and free markets are re-established.

The big "bust" throughout the world in commodity prices in the late '20s and '30s was primarily due to Government control schemes, restriction of production, artificial pegging of prices by governments, with the result that, when the price and production dams finally broke, the flood waters swept the entire economic world as a flood.

Ernest Minor Patterson

Philadelphia, Pa.; President, American Academy of Political and Social Science; Former Vice President, American Economic Association,

answers:

To your question, the answer is "Yes." A mere rise in prices will not increase production. In many, if not in most lines, productive capacity is being quite fully used.

Under the circumstances most increases in selling price will be promptly matched by a corresponding rise in costs. Increases in physical volume will come in time, but not because prices are higher. Physical volume of industrial production advanced about 61 per cent from 1921 to 1929, while wholesale commodity prices remained steady.

Removal of price controls plus the upward valuation of the Canadian dollar and the Swedish krona are serious for us. Add the estimates recently published by the Federal Reserve Board that the liquid assets of the bottom 40 per cent of the spending units are only $40 each. Prices may be marked up and costs rise all along the line, but there is no large reserve to hold them up. Of course, no one knows how long a spending spree may last, but probably long enough to put us all on a higher price level with a sharp decline later.

Lewis H. Haney

New York, N. Y.; Professor of Economics, New York University; Consultant, National Association of Purchasing Agents; Former Economic Adviser, Federal Trade Commission,

answers: (by telegraph)

One sure thing is that with so-called price control there would be a boomless bust. Government price fixing in peacetime means maladjustment and depression. Without price fixing, considerable further expansion in business is probable, but neither runaway prices nor a 1929 "boom." Thus we will at least have had the use of our money. Probably a corrective recession will follow. A "bust," however, can be prevented by: stopping the inflating; Government economy; high, but fair, taxes; hard work; the gold standard; scientific regulation of bank credit and industrial inventories, and revision of the Wagner Act. May we not hope for these conditions?

W. Brooke Graves

Bryn Mawr, Pa.; Professor of Political Science, Bryn Mawr College,

answers:

Without control of prices, I do not see how there can be anything else but a repetition of the old "boom and bust" cycle. By removing price controls now, when they are as critically needed as at any time during the war, the Congress is encouraging the very forces that up to this time we have been able to control with a fair measure of success. In thus submitting to the pressure of selfish interests that want price control for everyone else except themselves, the Congress is gambling with the nation's future.

It seems difficult to believe that the members of Congress do not know this. Their ignorance is inexcusable if they do not, while their conduct in playing politics with the economic stability of the nation—if not of the world—represents an almost criminal disregard of their sworn duty to

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OLD CROW

Kentucky Straight

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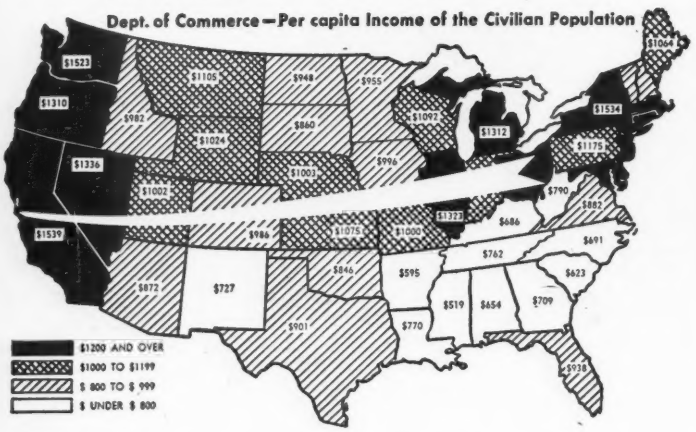
Spring house, over 70 years old, at Old Crow Distillery, where original limestone spring used by founder James Crow is still in use.

Kentucky Straight Whiskey • Bourbon or Rye • 100 Proof • National Distillers Products Corporation, New York

INDUSTRY
follows the markets



Another reason why better than 2 firms each month locate in Santa Clara County!

Manufacturers first moved West to take advantage of decentralized production facilities. But once on the Pacific Coast, industry discovered a rich market, growing at a fabulous pace.

The Department of Commerce per capita income map, reproduced above, gives a graphic picture of the Western market. Purchasing power on the West Coast is 30.6% above national average. And the Western buying population represents 17% of the United States total . . . with the trend still sharply upward. Located at the population center of the Pacific Coast, Santa Clara County is in a preferred position to serve this rich market. Transportation by land, sea and air is unexcelled. Labor has shown an ability to produce. And residents here really LIVE, in the true sense of the word.

New industries are arriving in Santa Clara County at the rate of better than two a month. Isn't there every evidence that *your* firm should be interested in this location?

WRITE FOR THIS FREE BOOK

"Post War Pacific Coast" contains 36 pages of current information about the West and Santa Clara County. No cost or obligation—but write on your business letterhead.

DEPT. U, SAN JOSE CHAMBER OF COMMERCE, SAN JOSE 23, CALIFORNIA

SANTA CLARA COUNTY *California*

The population center of the Pacific Coast

the nation if they do. In either case, the public takes it "on the chin."

Roy L. Garis

Los Angeles, Cal.; Professor of Economics, University of Southern California,

answers: (by telegraph)

Price controls alone cannot, and will not, prevent depression. Constructive progress in adjusting supply to demand is being made without price ceilings. The Federal Trade Commission can, and should, prevent unfair practices. Except for a short period of adjustment during the next 60 days, the country will be better off without price controls. To try to re-establish such controls now will make the solution of our problems of supply and demand more difficult in the long run. Argument pro and con concerning price controls should be based on other grounds than beneficial or adverse effects on the business cycle. Without co-ordinated wage, credit, and tax programs, a policy of price control in itself is not sufficiently inclusive.

Wilbur P. Calhoun

Cincinnati, Ohio; Professor of Finance, University of Cincinnati,

answers:

I believe the removal of price controls, with the exception of a revised program for rents, would be a constructive measure. We probably will have a "boom and bust." Its nature and severity will depend upon what is done in regard to profligate public spending, and the unsound policies we are now following in such fields as taxation, wages and labor problems, and credit control. During the postwar period, seemingly, price control and subsidies have been an attempted means to conceal from the public the evil results of such policies. They have added to the maladjustments in our economic system.

We should deal with fundamental causes of growing maladjustment.

Hudson B. Hastings

New Haven, Conn.; Professor of Economics and Former Professor of Industrial Administration, Yale University; Member, Economists' National Committee on Monetary Policy,

answers: (by telegraph)

If direct price and wage control is now removed and if widespread labor difficulties or other developments which destroy business confidence do not arise, there will be a major price and activity boom and later a major bust.

Price and wage controls are thoroughly unsound in the long run, but a carefully drawn and well-administered system of price and wage control should be in force until the huge surplus of money in circulation is largely removed.

XUM

GUNBOAT OF THE PENNSYLVANIA NAVY PASSING IN REVIEW BELOW HIGH (MARKET) STREET . . . PHILADELPHIA, 1776*

A HERITAGE TO REMEMBER

"Resolved, That Commodore Seymour be directed . . . to order the whole Fleet rendezvous opposite Messrs. Willing & Morris's wharf . . . in order to their being reviewed."

—IN COUNCIL OF SAFETY, NOV. 13, 1776

With characteristic vigor, Philadelphia answered the Colonies' call to arms. Its famous shipyards launched our first frigates. Here were recruited the first of our gallant Marines. Proud traditions, time-honored as Philadelphia's Heritage of Hospitality and nobly sustained today by Philadelphia Blend "The Heritage Whisky." A whisky rich and gratifying, worthy of special occasions. Yet you can afford Philadelphia, regularly and often.

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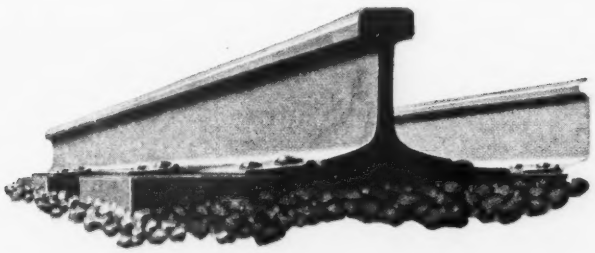
FROM A SERIES OF HISTORIC PRINTS DESIGNED FOR "PHILADELPHIA" — *THE HERITAGE WHISKY* — FAMOUS SINCE 1894

STEEL...

an industry born of a rail!



Before 1864 all trains ran on rails of iron. America didn't even make steel rail. But the Pennsylvania Railroad, ever looking for better things, ordered 400 tons of steel from England (at $150 a ton) and had it laboriously hammered into rail. Steel proved twice as strong and wore four times as long. Then and there—the American steel industry was born.

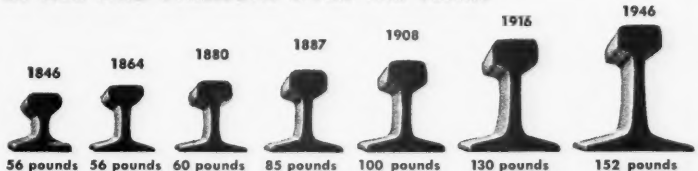
Twenty years later the steel rail was still the steel business. But by 1929, when three times as much steel rail went through the rolls as in 1880, steel rail was only 5 per cent of the steel business. Skyscrapers, trains, automobiles, safes, pipe, mousetraps, beds, watches, stoves, refrigerators, handcuffs, wire, nails, fence posts, filing cabinets, office desks, ships, pen points, safety pins—so many things, *steel!*

Better yet, when America went to war it had the overwhelming advantage of a steel output *greater than all other countries combined.* That assured victory, saved American lives.

In peace and war, from that first steel rail to the present day, the Pennsylvania Railroad and steel have worked closely together. Most steel plants are on lines of the Pennsylvania. A large part of its operation is hauling raw materials for the making of steel and carrying the finished product away—all done for *less than a cent a ton per mile.* Moreover, it serves steel with steel—every car, every locomotive, every rail, every large terminal, every signal . . . *steel!*

Today, as steel prepares to turn out a torrent of new products from new alloys, the Pennsylvania Railroad wishes it well—an old friend, with an even greater future.

HOW PENNSYLVANIA RAILROAD RAIL HAS INCREASED IN SIZE AND STRENGTH OVER THE YEARS



Today the Pennsylvania Railroad uses the heaviest rail in the country and has made many improvements in its construction. Altogether there are more than 5,000,000 tons of steel rail in the Pennsylvania roadbed. If every rail had to be replaced, it would take all the steel mills rolling rail a year and a half to produce the necessary quantity.

PENNSYLVANIA RAILROAD

1846 *1946*

ONE HUNDRED YEARS OF TRANSPORTATION PROGRESS

XUM

Santa Ana, California
November 2, 1945
Gentlemen —
I have one 6.25-16 Seiberling Tire bought in 1941 that has run 105,252 miles and was never even recapped. When I took it off it still had many more miles left and was still good to recap. I have two more like it bought in 1942 that look like they will surpass even 105,000 miles.
Hoping we will have more tires like this in the near future.
Henry J. Fones
1005 Hickory Street
Santa Ana, California
Seiberling Rubber Co
Akron, Ohio

Here's your answer, Mr. Fones

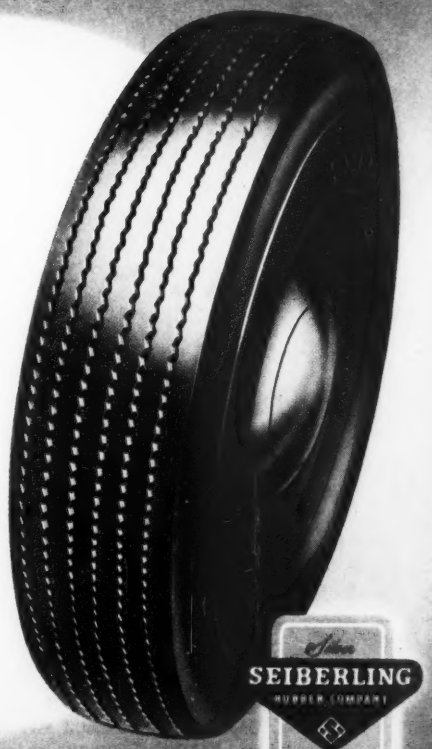
That 105,000 *is* unusual mileage, Mr. Fones, even for Seiberling tires. Things have changed a lot since you bought your pre-war Seiberling tires and we've learned a lot in the last few years, so even Seiberling "know-how" has improved. But one thing has not changed, and that is that Seiberling *builds better tires.*

Even now, Mr. Fones, the demand for the outstanding performance of Seiberling is exceeding supply. Yet we *have not* cheapened and *will not* cheapen Seiberling tires in order to make and sell more of them. In compounding raw materials, in building the tire itself and in careful inspection at every step—we do and always will *take time to build real Seiberling quality into every tire.*

The Seiberling tire you buy today *will* give you *extra* quality, *extra* miles, because *it has to be BETTER to be a Seiberling.*

That's a *promise,* Mr. Fones!

SEIBERLING RUBBER COMPANY
Akron, Ohio, U. S. A. • Toronto, Ont., Canada



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STRATEGY OF FEWER STRIKES

Mr. Green's Emphasis on Output as Means of Staving Off Inflation

Plans to delay walkouts in auto industry until late 1946 or early 1947

A new line of strategy now is being laid down by the CIO and AFL to deal with the problems resulting from rising prices and from an approaching election. This strategy represents a sharp break with the past.

Strikes in big industries are not now to be promoted to gain new wage increases as an offset to the price increases that have followed the OPA end. The CIO decision is to put off big strikes until after the November election, when the situation will be reviewed again. The AFL leadership, except for John L. Lewis, has not been so strike minded as the CIO.

Buyers' strikes will be promoted in place of strikes in plants. The buyers' strike movement is looked upon as an outlet for worker resentment that may grow from living-cost increases. The idea is that the resentment can be taken out against merchants, rather than against employers, and can make easier the problem of delaying regular strikes until later. Again, the AFL is not taking so active a role in this line of strategy, although it urges "discretion in buying."

Production is to be stressed as a means of combating inflation. Here, AFL's President William Green is taking the lead with recommendations to workers that represent a revolution in union-leader thought. Mr. Green is telling workers that the only way they can stave off inflation, and thereby avoid trouble for themselves, is to increase production "in every possible way." He urges them to increase their efficiency and to turn out more goods per hour. If this advice had been given, and taken, by union leaders generally, or by public officials, in the months immediately after war ended, there would have been no wave of strikes and people would be enjoying very many more goods. Mr. Green now asks AFL workers to maintain "iron discipline" in order to keep strikes from reducing production.

A labor-management conference to seek a national agreement on wage increases is proposed by the CIO as another means of quieting strike talk. It is unlikely that such a meeting, if held, would agree on wage boosts.

Political power is to be used by CIO leadership to try to defeat members of Congress who voted for an end to OPA and who voted for the Case bill to provide some check on the use of the strike power of unions. CIO leaders are watching elections with more direct interest than are AFL leaders. Decision to try to avoid strikes of major proportions between now and election time is based openly on a conclusion that strikes will have a bad influence—from a labor-leader point of view—on the November elections, and thereby on the make-up of the next Congress.

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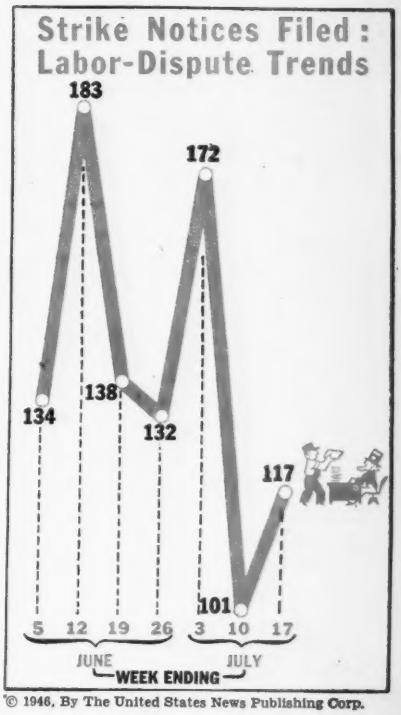
Gov Martin SPECIAL SESSION NOW not 47
C.I.O. FIGHTS for O.P.A. EXTENSION
C.I.O. for PRICE CONTROL to PROTECT WAGES
THIS MARKET is VIOLATING O.P.A. Ceiling Prices
REGISTER NOW Remember IN NOVEMBER
C.I.O. FIGHTS for O.P.A. EXTENSION

—Acme

ONE OF THE FIRST BUYERS' STRIKES
. . . workers found a new outlet



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Effect of the changed attitude toward strikes is apparent in the strike trend.

Strike notices filed with the Labor Department, as shown in the accompanying chart, reached a new low for the year in recent days. The trend in those notices has been generally downward during the last few weeks.

Small strikes in the automobile industry, as reported by General Motors, likewise have been declining in number and reached a new low of 52 for the latest week. The number of those strikes had been running at around 130.

A strike in the automobile industry is being discussed in postelection rather than pre-election terms. CIO leadership is agreed that the first strike, when and if it comes, is likely to be directed at Chrysler Corp. and that the timing may be late 1946 or early 1947.

Rising prices, experience shows, tend to generate pressure for strikes on the part of workers who find that their costs of living are rising. Whether or not there is to be another wave of strikes after the 1946 election is expected to depend upon the extent of the rise that occurs in the cost of food and clothing during the next few months. If that rise is sharp, then strike demands will recur in a big way.

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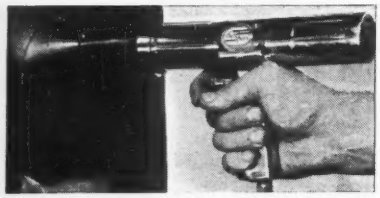
Cuts PERFECTLY



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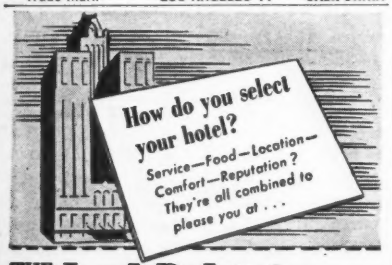


THE Lord Baltimore HOTEL
BALTIMORE, MARYLAND

MEN! MEET THE RAZOR with the HE-MAN BLADE!

No matter if your chin sprouts baling wire, here's the blade that will conquer it. It's the original Durham-Duplex hollow-ground double-thick blade that holds an edge against all odds. Try it. You'll like the Dorset's excellent balance, too, and its generously wide shaving edge. Get one today. The Dorset with 6 blades, 75¢, or the Durham barber-type 6 blades, $1.00. Durham blades to fit either razor, 5 for 50¢.

DURHAM-ENDERS RAZOR CORP., DEPT. 6, MYSTIC, CONN.

Labor Disputes That Persist Despite Lull in Big Walkouts

Strikes are continuing to hamper production in some areas, and other walkouts can be expected in isolated industries despite the efforts of top labor leaders to head off a new nation-wide wage crisis in the basic manufacturing fields.

The strike picture, industry by industry, is as follows:

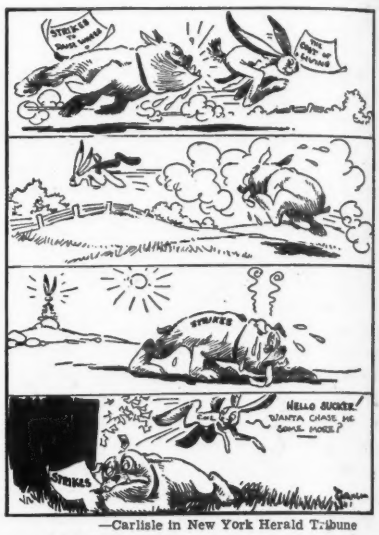
Meat packing. Demands of the CIO Packinghouse Workers for a guaranteed annual wage, a minimum wage of $1 an hour and a cost-of-living bonus have been made on the "big four" meat companies. Negotiations this week with Swift & Co. opened a series of conferences on the union's contracts, which expire August 12. In view of the CIO policy that opposes a second round of wage increases for the present, the Packinghouse union is expected to emphasize the minimum-rate increase and the annual-wage plan rather than any general wage boost. The CIO policy was adopted after the union filed its demands.

Shipping. A strike of 1,000 West Coast dock foremen affiliated with the CIO Longshoremen's Union is scheduled for August 1. This walkout would stop shipping in most Pacific Coast ports because other CIO dock workers and sailors would refuse to go through picket lines. The union is seeking a contract and wage increases. The employers say they are waiting for the National Labor Relations Board to decide whether the CIO has the bargaining rights for the dock bosses.

On the East Coast, AFL picket lines were withdrawn from the docks pending a decision by a federal investigating panel in a jurisdictional dispute with the CIO. The dispute started when West Coast CIO Longshoremen refused to load two ships at Coos Bay, Oreg., because they were manned entirely by AFL crews. The CIO argued that its contracts entitled it to some of the crew jobs. The AFL Seamen retaliated by stopping ships in Eastern ports, where they have more strength. This is another phase of the growing struggle between AFL and CIO maritime unions.

Farm equipment. Strikes that have been in progress for over four months in plants of the Allis-Chalmers and J. I. Case companies continued to hamper production last week in the farm-equipment industry. A CIO threat to call sympathy strikes in other plants of the industry if the Government did not end the deadlock by July 31 was designed to back up Labor Department demands for seizure of the plants that are on strike. Other agencies of the Government, including the Agriculture Department, have opposed seizure. The CIO also offered to call off the Allis-Chalmers strikes, involving seven plants, if the company would reinstate the old contracts including War Labor Board directives, would arbitrate other issues and grant a retroactive wage increase. The company has declined in the past to accept the WLB orders on such issues as maintenance of membership.

With strikes such as the above, along with walkouts in many parts plants, the nation's industries still had their labor troubles even though there were no country-wide strikes.



—Carlisle in New York Herald Tribune

CONTROL YOURSELF, BOWSER

New Wage Demands Of Union Printers

A proposal for a 96 per cent increase in straight-time hourly rates, which has just been filed by the Washington printers' union, is an example of the high collective-bargaining demands which unions sometimes make under closed-shop contracts.

The demands, which were filed by the Columbia Typographical Union with the commercial printing establishments of Washington, include the following:

For day-shift work, an increase in hourly rates from $1.53 to $3, or 96 per cent. Weekly pay would be raised from $57.35 for a 37½-hour, five-day week to $105 for a 35-hour, five-day week.

For night-shift work, an increase from $1.66 to $3.30, or over 98 per cent. The weekly pay would be raised from $62.22 to

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Here is a new passenger train service ideal for industrial executives making business trips between the East and West Coasts. This no-extra-fare service is 10 to 18 hours faster than previous service between Chicago-St. Louis and the West Coast terminals.

Between NEW YORK-WASHINGTON, D. C. *and* LOS ANGELES-SAN FRANCISCO

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From New York . . . through sleeping-cars depart on the New York Central and the Pennsylvania railroads. On arrival at Chicago they are carried through to Los Angeles on the Transcon; to San Francisco on the Overland.

From Washington, D. C. . . . through sleeping-cars departing on the Pennsylvania are carried through from Chicago to Los Angeles on the Transcon — to San Francisco on the Pacific. Departing on the Baltimore and Ohio, sleeping-cars are carried through to San Francisco on the Pacific.

Similar service available eastbound from Los Angeles and San Francisco. No change of cars enroute in either direction.

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TO VACATIONISTS . . . Union Pacific serves more western scenic regions than any other railroad. These include California, Pacific Northwest, Colorado, Yellowstone and the National Parks of Southern Utah-Arizona.

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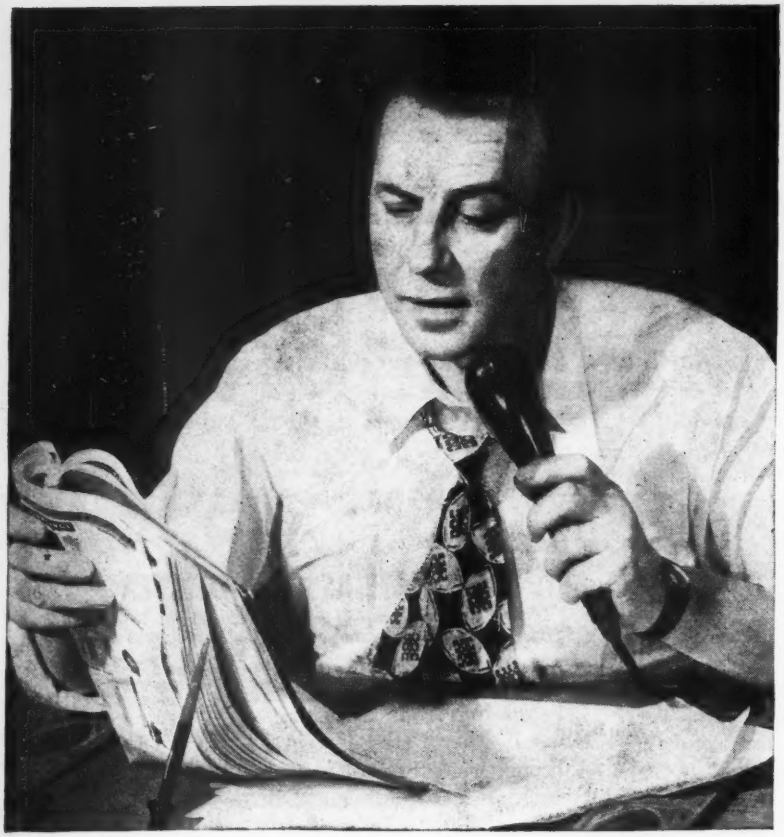
UNION PACIFIC RAILROAD

ROAD OF THE *Streamliners* AND THE *Challengers*



Man about to land a fish . . .

He'll be whipping a swift trout stream just a few hours from now. That's why he's here tonight—to clean up all his work before a long weekend.

How can he dictate so late . . . alone? He uses Dictaphone Electronic Dictation! He can talk his work away—early, late, or through the lunch hour, without being dependent on his secretary.

What's more, he can relax . . . dictate in an easy conversational voice. The new close-talking electronic microphone records even a whisper, yet filters out all interfering sounds.

Freed from note-taking, his secretary is able to do her other work better and protect him from interruptions. And she doesn't know what "overtime" means!

Both of them find that Dictaphone Electronic Dictation *doubles their ability to get things done!*

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DICTAPHONE *Electronic Dictation*

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$115.50, with the same reduction in hours as on the day shift.

For midnight-shift work, an increase from $1.75 to $3.85 an hour, or about 119 per cent. Weekly pay would rise from $63.75 for a 37½-hour week to $115.50 for a 30-hour, five-day week.

Double-time rates, or $6 an hour for day work, would be paid for all overtime. The old contract calls for time and one half for the first four hours of overtime and double time thereafter.

Triple-time rates for Sunday and holiday work, instead of double time under the old contract.

Vacations at double-time rates for three weeks for employes with a year's service. The old agreement provided for one week's vacation for one year's service and two weeks for five years' service.

Severance benefits amounting to two weeks' pay, plus one week for each six months of continuous employment, with no top limit. The existing plan calls for two weeks' pay after a year or more of employment.

Paid sick leave up to 30 days a year for employes with a year or more of service. Sick leave would accumulate from year to year so that an employe might have up to a maximum of 90 days' sick leave a year, with pay.

The Chicago printing union is expected to file similar demands in that city. Other locals of the International Typographical Union may copy the demands in other large cities, but the union permits each local to fix its own demands.

Shortage of Labor If Production Rises?

A shortage of labor by October or November of this year now is being predicted by some Government economists. Such a development, if it occurs, would add one more pressure tending to force wage rates upward, and would increase the likelihood of strikes.

Expanded employment is planned by a number of industries as soon as current material shortages can be overcome. A survey made by the United States Employment Service gives this picture of the employment outlook for major industries:

Autos. An increase of 100,000 employes by October is predicted. Material shortages and parts-plant strikes are expected to continue to retard output for several months.

Aircraft. About 11,000 new employes are to be hired by November, which is an increase of 5 per cent over the May employment level.

Aluminum. Employment will be expanded by about 6,700 by November. After sharp curtailment of output at the end of the war, this industry began to increase employment late last autumn.

Food processing. Employment in this seasonal industry now amounts to 300,000 workers and will rise to 400,000 in August and 437,000 in September.

Large increases in employment also are predicted for the construction industry and in retail stores. The Civilian Production Administration, headed by John D. Small, is one agency which predicts that a man-power shortage is due this autumn. A Census Bureau report of 56,749,000 persons employed during June adds weight to the predictions, since the total is approaching the level of the civilian working force. The man-power shortage, if it comes, may be limited at first to a few areas and in-

—Acme

CPA'S SMALL
. . . another pressure added?

dustries, but such a shortage is bound to have its effect on the general level of wages.

Delay in the Return of Soft-Coal Mines

The Government apparently intends to retain control of the soft-coal industry for a considerable length of time. This was indicated last week when the federal administrator of the mines abandoned efforts to work out a compromise with the coal operators and the United Mine Workers over foremen's unions. The administrator signed a contract with the UMW covering foremen of four mines of the Jones & Laughlin Steel Corp.

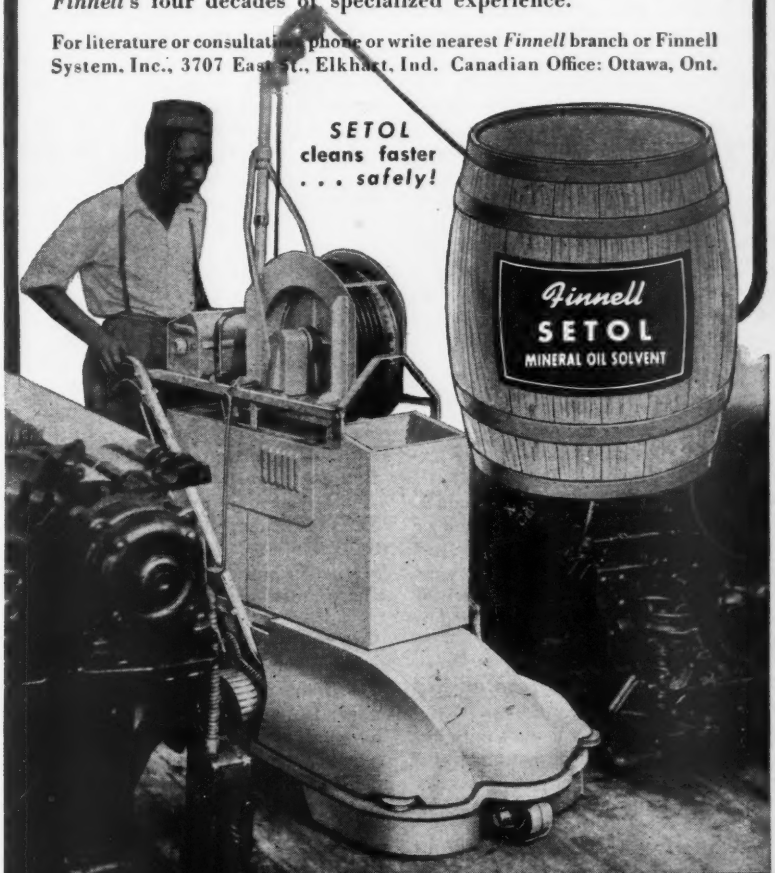
This contract may provide an opportunity for a circuit court of appeals test of the foremen's union issue, since the company had requested a temporary injunction prohibiting the signing of such an agreement a few hours prior to the Government's action.

YOUR SCRUBBING MACHINE CAN DO MORE!

—when teamed with a cleanser designed for the greater speed of mechanical scrubbing. The machine that is supplied with a cleanser whose chemical action keeps pace with the speed of the machine produces clean floors faster. This cuts operating time of the machine, which in turn reduces labor costs and saves on brushes. Mileage is not piled up needlessly on the machine, brushes are not worn out prematurely, as when a slow-acting cleanser is used.

All *Finnell* Cleaning Powders are specially compounded for machine-scrubbing. They not only have the necessary speed, but they're *thoroughly safe*—won't harm your floors or your machine. There are six cleaning powders in the *Finnell* line, including *Setol*, the mineral oil solvent for use on mill and factory floors. *Setol* emulsifies grimy oil and grease *instantaneously.* All *Finnell* Powders are produced in *Finnell's own powder mill.* Each is a product of proven quality reflecting *Finnell's* four decades of specialized experience.

For literature or consultation phone or write nearest *Finnell* branch or Finnell System, Inc., 3707 East St., Elkhart, Ind. Canadian Office: Ottawa, Ont.



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Pioneers and Specialists in
FLOOR-MAINTENANCE EQUIPMENT AND SUPPLIES

BRANCHES IN ALL PRINCIPAL CITIES

We've Been Asked:

WHAT WAR CONTROLS OVER BUSINESS REMAIN

Arguments over price control obscure the fact that the Government still possesses other wartime controls over business and does not hesitate to use them. Thus, the public suddenly learned that inventories can be controlled when the Civilian Production Administration limited manufacturers' supplies of some 18 items. That was only one of a number of war powers that still can be used.

Actually, if price control should be weakened or entirely removed by Congress, the Administration still would have authority to ration goods, to allocate scarce materials to factories, or even to seize raw materials and food. Manufacturers also can be told what to make and how much. Industries still can be seized. Credit still is regulated, and the Government even now is tightening restrictions on the volume of exports.

An explanation of how inventory controls will work, and an up-to-date report of other wartime business regulations thus become timely. Questions about this authority promise to increase in the months immediately ahead.

Who is affected by the latest inventory-control order?

The order applies to manufacturers of 18 types of scarce goods, including metal beds and furniture, washing machines, refrigerators, electrical appliances, photographic equipment, electric stoves, sewing machines and vacuum cleaners.

How is their status changed?

Their inventories of the finished products they make cannot exceed their preceding 30 days' output of those products, or the average monthly output in the three preceding calendar months. If, on July 18, 1946, a manufacturer of these products had on hand more than the permitted amount, he must reduce it to the permitted amount by August 15, either through increased sales or lowered output. Provision is made for seasonal changes in production rates.

Is this the first time such control has been used?

No. In May 1946, CPA issued a similar order to prevent clothing manufacturers from hoarding their output of suits, dresses, hosiery and other clothing.

Are inventories of automobiles and radios controlled also?

The new order does not mention manufacturers of automobiles and radios. CPA may at any time extend such controls to apply to manufacturers of any products that are not being moved to market at a pace in line with actual production.

What about inventories held by wholesalers and retailers?

The larger distributors of many scarce commodities have operated under inventory-control orders for several years now, and the original orders still are in effect. In general, these orders limit distributor stocks to the same amount of goods they held in past operations.

Where does the Government get the power to control inventories?

This authority flows out of the general rationing power granted to the Government by the Second War Powers Act. This law has just been extended to March 31, 1947, but allocation powers relating to building materials were extended to June 30, 1947.

How does rationing operate today?

At the manufacturing level, rationing is used in many different ways. All supplies of antimony, lead, tin and certain chemicals and textiles are allocated to essential users. Supplies of many scarce raw materials, such as copper, lead, zinc, are limited by inventory controls to the amounts required to keep producers going for a certain number of days, thus spreading the available supplies around.

At the consumer level, sugar is the only commodity still rationed now.

Where are priorities used now?

The general priority system authorized by the Second War Powers Act is applied now to steel mills, for example, to get steel for manufacturers of farming and mining machinery. Fabric manufacturers still must set aside a percentage of their output for manufacturers of lower-priced clothing. Another set of priorities, established by the Veterans' Emergency Housing Act, applies to 18 building materials and 60 per cent of the output of bathtubs, kitchen sinks and plumbing fixtures.

Can the Government still tell a manufacturer how to make his product?

Yes, if he uses a scarce material that is under Government control. Thus, gasoline manufacturers may not use more than a certain amount of lead chemicals or ethyl fluid in their product. Manufacturers of women's clothing may not make the skirts longer or wider than CPA orders allow. Use of natural rubber is closely limited.

How is requisitioning power used today?

Mostly to obtain food supplies, for foreign relief or use of the Army and Navy. For a while, farmers were forced to sell half their wheat as it arrived at elevators, and the storage operators had to sell half their holdings to the Government. The wheat-requisition order and compulsory set-asides on meat and lard have been reduced to zero recently, but the authority to require such actions is available until June 30, 1947. Set-aside orders still are in effect on dairy products, rice and canned fish.

Is there a time limit on the Government's power to seize factories or mines?

Yes, the War Labor Disputes Act will expire six months after the war is officially ended.

Where do wage controls stand now?

As long as price-control legislation is off the books, there are no federal controls on wages beyond the peacetime minimum-wage law.

How strict is the control on foreign trade?

Foreign sales of nearly all commodities are permitted only after an export license is obtained from the Office of International Trade in the Department of Commerce. Because of U. S. scarcities, CPA sets limits on exports of autos, trucks, tractors, tires, lumber, lead, cotton textiles, fertilizer, certain chemicals, storage batteries, mining equipment and many other articles. CPA now has ready an order putting all commodities under export controls, to guard against a flood of goods to foreign buyers if price controls end.

What subsidies are paid at this time?

Many of the more familiar subsidies on meat, butter, and other foods died with the old Price Control Act. But the Veterans' Emergency Housing Act provides subsidies on building materials. Another type of subsidy—price supports—also must be paid on farm products when needed any time within two years after the January 1 following the official end of the war.

Do any wartime rules still affect individuals directly?

Yes. Every man between 19 and 46 must carry a draft card or face arrest. About 150,000 men 19 through 29 years old probably are to be drafted into service before the draft machinery is abolished next March. Shoppers run into federal controls when they ask for credit, because the Federal Reserve Board is still enforcing a regulation limiting charge accounts and installment buying. But the majority of controls that touch on people's personal lives have been suspended. Since August, 1945, emergency orders have been reduced from about 4,000 to fewer than 300.

Special Report

(This article represents the result of an extensive research on a topic of outstanding importance in National Affairs.)

WHERE THE TAX MONEY WILL GO: CAUSES OF BIG PEACETIME BUDGET

Prospect Defense Will Cost 17 Billions in '47, 8 Billions in Future

Higher veteran and interest expenses. Income levies as chief source of revenue

A taxpayer is unable to find much that is comforting when he looks to see where his money goes in the Federal Government's budget. That budget for a first postwar year, to be offered soon, will be a far different sort of budget from the one taxpayers worried so much about back in New Deal days.

Outgo, for example, will range between $37,000,000,000 and $40,000,000,000 with no war going on. Not many years ago, people were excited when the outgo was $9,000,000,000. There no longer is the slightest chance that outgo can get back to the prewar level or even near that level. The official hope now is that someday the country can enjoy a budget as low as $25,000,000,000.

Income in this year, largely from taxes against personal and corporation income, will exceed $38,000,000,000. Before the war, taxpayers felt that they were being squeezed unmercifully when Government income was $3,000,000,000 a year.

More cash dollars are going to be poured into the U. S. Treasury in this year than are paid out in cash. This balance of the cash budget will come at a level around $37,000,000,000. On a bookkeeping basis, however, outgo may slightly exceed income in this year's Budget Bureau forecast, with officials tending to overestimate rather than underestimate the number of dollars that will be spent.

Where the money goes is the point of greatest interest to taxpayers. War has brought a great and permanent change in the character of spending, one that has long-range meaning to the man who pays the taxes. Details are shown in the table on this page.

National defense, even in peacetime, is to remain the greatest single cost of Government. In this peacetime year, that cost will be at least $17,000,000,000. The official budget, to be announced shortly by Acting Director Paul H. Appleby, is likely to set it down for $18,000,000,000. Plans now call for a permanent Army of 800,000 men and a permanent Navy of 550,000. Few expect that the cost of this force in the foreseeable future will be lower than $8,000,000,000 a year. The entire Government in a New Deal year cost barely that much.

Veteran expenses, also, are very large and continuing. In this year, not counting terminal leave, cost of various veteran-administration activities will amount to nearly $5,000,000,000 at the least. The official budget, which might be a bit padded, will show about $6,000,000,000 of outgo for this purpose. Before the war, the comparable cost was $557,000,000. None of these figures covers a bonus which has been promised to veterans.

Interest charges on the public debt represent the next big item that is permanently expanded. They will amount in this year to approximately $5,000,000,000, or about five times the level of prewar. These charges will tend to grow as more of the debt is financed on a long-term basis instead of on the short-term basis that now permits very low interest payment on a large proportion of the debt.

International finance is a wholly new category on the expenditure side of the federal budget. In this year, the outgo figure in this category will be between $3,000,000,000 and $3,600,000,000. Of course, not all of that money will be paid out during the year. It is presumed, too, that much, if not all, of these loaned dollars will be paid back. That is why this item in the budget tends to present a slightly distorted picture, and why the budget, on a cash basis, will be better than balanced.

Relief for unemployed is not included in the budget for this year, whereas relief cost more than $2,500,000,000 back in 1939. That expenditure caused deep worry among the people of U. S. only a few years ago. Now it is a figure that would scarcely draw the attention of budget makers, who worry about much bigger figures for other things.

Regular departments of Government, the departments usually headed by Cabinet officers, but excluding Army, Navy and Agriculture, will cost little more than $1,000,000,000 in this year. When Congressmen and others talk about economy as a means of balancing the budget, they usually refer to reductions in the cost of operating regular departments. These departments, as the figure shows, could be wiped out and still not cause much of a change in the budget.

Aids to agriculture in this period of record farm prosperity will cost about

How the Federal Budget May Be Balanced

(Millions of dollars)

	FISCAL YEARS			
GROSS RECEIPTS	1939	1945	1946 (Est.)	1947
Income taxes	$2,189	$35,173	$30,885	$26,311
Excise and other taxes	2,232	6,949	7,725	7,703
Employment taxes	740	1,780	1,701	2,012
Other revenue	507	3,838	3,928	3,715
Total	5,668	47,740	44,239	39,741
Deduct old-age appropriations	503	1,283	1,201	1,500
Net receipts	5,165	46,457	43,038	38,241
EXPENSES				
War and defense	1,206	90,501	48,870	17,000
Interest	941	3,617	4,722	4,900
Refunds	66	1,707	3,027	1,500
Veterans' administration	557	2,060	4,253	4,930
Direct aid to farmers	1,228	763	981	1,489
Government corporation aid to farmers	137	468	1,051*	150
Social Security and retirement funds	529	1,012	1,164	1,104
Public works and relief	3,587	335	427	827
International finance	—	—	833	3,600
Regular departments	517	788	862	1,106
Other expenses	276	1,219*	116*	835
Total, nonwar	7,838	9,531	15,102	20,141
Total expenditures	9,043	100,032	63,972	37,141

* Excess of credits; deduct.

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• These figures tell the story and prove the value of the ***selected*** mass circulation which distinguishes the Chicago Daily News. It is ***selected*** mass circulation introducing the advertiser and his products to a vast pool of spendable dollars.

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$1,500,000,000. Nearly $900,000,000 of that amount is to involve a replenishment of capital for the Commodity Credit Corp., which financed several farm subsidies.

Those are the big categories of outgo in which taxpayers have an interest.

Where the money comes from to pay these immense bills likewise is a matter of importance. It requires between $38,000,000,000 and $40,000,000,000 to balance the bookkeeping budget and around $35,000,000,000 to balance a budget of cash income and cash outgo.

Income taxes paid by individuals and corporations must provide the bulk of these dollars. Those taxes yielded around $2,200,000,000 back before the war when taxpayers were most disturbed about the tax burden. In this year, however, income taxes will provide more than $26,000,000,000, or 10 times the prewar amount. There can be little hope for a substantial cut in those taxes so long as outgo continues as high as it is to be in this year.

Excises and miscellaneous internal revenue taxes are to yield about $7,700,000,000 in this year, whereas they produced $2,232,000,000 before the war. This is the second largest source of revenue, and it is unlikely to be reduced substantially so long as spending stays as high as it is.

Other taxes, together with customs receipts and with some deductions for old-age insurance, add about $4,500,000,000 to the total of receipts.

Enough dollars are coming in from these sources to cover the actual cash dollars paid out by the Treasury and to leave some over. There may even be enough dollars, or nearly enough dollars, taken in to cover the bookkeeping record of outgo, which includes many dollars not actually paid out currently and some dollars that will be paid back later.

The meaning to Americans of the Government's budget for this peacetime year is varied and important.

Inflation no longer is promoted by the spending activities of the Federal Government. The fact that more cash dollars will flow into the Treasury than will flow out is a sign that Government now is starting to take some money out of the total supply and is exercising a mildly deflationary force so long as taxes stay at present levels.

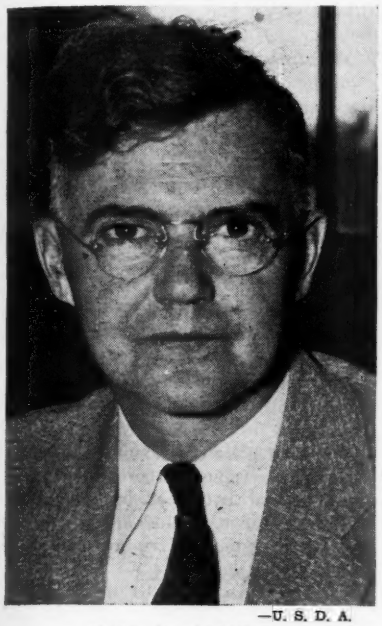
Taxes, however, will need to remain at present very high levels in income of individuals if the high volume of outgo is to be covered by income. Congress had hoped to be able to reduce taxes on 1947 individual incomes, but the budget prospect is not now favorable for such a reduction.

Lower expenses of Government are not to be brought about easily, even from this very high level. Military expenditures can be reduced by as much as $10,000,000,000 in the years ahead, bringing the level down to $8,000,000,000, but a larger reduction

than that is not probable. Expenses for veterans are to remain high for several years, and there will be a bonus to pay at some time. Public-works spending will rise sharply. If ever there is another depression, relief costs will return. The official view is that a $25,000,000,000 budget will be low in years ahead.

A high price level and a high level of business activity must be a major concern of Government in the foreseeable future if the Government's finances are to be kept in order at the high level of outgo and of debt that prevails. If prices remain at a relatively high level, and if business activity can be sustained at a high level, then taxes on income will yield large returns and excises produce a large amount of revenue.

Large-scale deflation, on the other hand, will tend to be resisted strongly by the Government, if deflation is to involve



—U. S. D. A.

PAUL H. APPLEBY
The budget felt the boom

reduced activity and reduced incomes. When trends are down and the volume of income is contracting, taxes do not yield as much as in a period of rising incomes and activity. When expenses are as high as they are to be in the future, the Government has a big stake in prosperity so that it can keep its own finances in order.

All in all, the Federal Government's budget is highly important to almost everyone, but there is a tendency, when things are booming, to overlook that budget and its long-range implications. When things tend to turn down and when deflation replaces inflation as a major national worry, the budget will be back in the center of things.

The little man who wasn't there . . .

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SMALLER DEBT, FIRMER MONEY

Continued Retirement by the Treasury as Lever Against Inflation

First increase in interest on short-term borrowing since early New Deal era

Interest rates on short-term loans are rising for the first time since 1933. This tightening of the money market, coming at a time of inflationary developments on many other fronts, demonstrates the effect of money and credit policies now being followed by the Treasury and the Federal Reserve Board.

This does not signal the end of the cheap-money period, but there are widespread predictions that there will be a general hardening of rates in the period ahead. There also is talk that the Treasury will permit a rise in the rate on certificates of indebtedness from seven eighths of 1 per cent to 1 per cent.

What is happening is this:

Rising short-term rates on bank loans to individuals for buying and carrying Government bonds and other securities are the immediate cause of the firming money market. National City Bank of New York boosted these rates first, and several other New York banks quickly followed. Call money rates, for example, **advanced** from 1 to 1½ per cent. Now there are reports that Chicago banks will raise their rates.

The New York development caused a decline in the prices of Government bonds, which already had dropped considerably from the all-time high levels they reached early in 1946.

New curbs on speculation in Government securities thus are being provided by commercial banks. The short-term rate increase came only a few days after the Federal Reserve Bank of New York called on commercial banks and money brokers to stop lending money for speculation in Government securities. This is believed to have been one of the factors that caused New York banks to raise rates.

Debt retirement by the U. S. Treasury is continuing at a rapid pace. This is the Administration's basic weapon against monetary inflation and is the underlying cause of the present tightening money market.

The Treasury announces that $1,250,000,000 of the $2,469,000,000 of maturing certificates of indebtedness will be redeemed out of the Treasury cash balance on August 1. This indicates that Treasury Secretary John W. Snyder is to continue the debt-retirement policy of his predecessor, Fred M. Vinson, now Chief Justice of the United States.

More than $12,000,000,000 of the national debt already has been retired this year, most of this amount being taken out of the hands of the banking system. Bank deposits thus are being reduced, which means that banks have less money to lend.

How long the Treasury can continue to pay down the public debt will depend upon its budget situation. So far, the retirement program has been carried out by reducing the cash balance, which reached $26,000,000,000 early this year because of overborrowing during the Victory loan drive. The budget situation now is uncertain because of rising prices and increasing demands for new expenditures, and the Treasury will hesitate to draw the cash balance down to the normal of around $3,000,000,000. It now appears that the budget surplus in this fiscal year, which began July 1, will be small, and even that small surplus could quickly be wiped out by unbudgeted expenditures.

—Harris & Ewing

SECRETARY SNYDER
. . . considered economic weapons

On the other hand, runaway prices might well lead to an increase in tax collections. Also, Secretary Snyder and President Truman talk of new economy measures as a weapon against inflation.

Buying rates on bankers' acceptances—promissory notes—have been increased by the Federal Reserve Bank of New York. This is another of the immediate causes of the tightening money situation, since it places the rate of the Reserve Bank above the general level of commercial banks and thus tends to halt selling to the Reserve Bank.

What next? For the moment, the Government's control measures are holding the supply of money and bank credit in check. How long this can last will depend upon many factors, mainly the Treasury's ability to continue paying down the public debt and thus reducing the volume of money available for banks to lend.

The Federal Reserve Board, fearful that the situation might get out of hand later, proposes a grant of authority to invoke new and more drastic credit controls. The Board's proposals are these:

A ceiling on the amounts of long-term securities that commercial banks are permitted to hold against demand deposits.

A floor under the amount of short-term Government securities held by commercial banks as secondary reserves against demand deposits.

Higher reserve requirements for commercial banks.

Congress now is cool to these proposals, and no action on them is foreseeable now. Commercial bankers oppose them, and the Federal Reserve Board itself would be slow about exercising the new authority even if Congress were to grant it.

Higher interest on short-term securities is the substitute now being widely proposed by bankers and many economists, both inside and outside the Government. It is pointed out that, if the rate on certificates of indebtedness were raised to 1 per cent, the spread between short-terms and long-terms would be narrowed. Commercial banks thus would have less incentive to shift their holdings from the low-interest short-terms to higher-interest long-terms.

The Federal Reserve Board now is committed to keeping the certificate rate pegged at seven eighths of 1 per cent. There is a growing feeling that the Treas-

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CONDENSED STATEMENT OF CONDITION JUNE 30, 1946

ASSETS

Cash and Due from Banks	$190,693,890.90
United States Government Obligations	388,025,635.39
Other Bonds and Securities	20,152,921.94
Loans and Discounts	204,197,749.79
Real Estate Bonds and Mortgages	407,636.18
Customers' Liability for Acceptances	1,027,448.86
Interest Receivable and Other Assets	2,220,085.07
	$806,725,368.13

LIABILITIES

Capital	$15,000,000.00	
Surplus	35,000,000.00	
Undivided Profits	11,865,313.78	$61,865,313.78
General Reserve		3,690,272.09
Dividend Payable July 1, 1946		600,000.00
Acceptances		1,333,005.99
Reserve for Taxes and Other Liabilities		5,261,626.31
Deposits		733,975,149.96
		$806,725,368.13

United States Government obligations carried at $98,262,442.03 in the above statement are pledged to secure United States Government deposits of $87,914,700.87 and other public and trust deposits and for other purposes required by law.

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ury might decide to relieve the Board of this commitment and allow the rate to rise to 1 per cent.

There are two reasons for this belief:

One of the principal purposes holding the rate down to seven eighths has been to limit the amount that commercial banks could earn out of the national debt. Now that the earnings from Government securities are going down anyway, the Treasury is given an out.

The interest outlay of the Treasury would be increased relatively little by boosting the certificate rate one eighth of 1 per cent. The volume of certificates outstanding has been reduced sharply in recent months. Thus, it is argued by bankers and others that the Treasury could increase the certificate rate a fraction and still not depart from its policy of holding down debt-servicing costs.

On long-term bonds, the Treasury is not expected to boost the present issue rates. Its policy does appear, however, to be in the direction of stabilizing yields at a point close to the issue level.

This may be a difficult undertaking. The problem of high bond prices and consequent low yields is not over. Insurance companies and other big investors have huge quantities of money awaiting investment when the market settles down. A great surge of investment money to the market might cause another upswing in bond prices and a downswing in yields.

Effect of Higher Silver

Industrial silver promises to reappear on the market now that a congressional deadlock over price has been broken. That will end a shortage so acute that in recent weeks some processors have had to melt down silver dollars to make silver nitrate.

Silver price now is to be pegged at 90.5 cents an ounce for an indefinite period. That is to become both a floor and a ceiling, since the Treasury is being directed by Congress to buy all domestic silver offered at 90.5 and to sell its surplus silver to industrial users at the same price.

A flow of silver is to be expected now from both domestic and foreign sources.

The U. S. Treasury is to release about 50,000,000 ounces for industrial uses. This is nearly half of industry's needs for one year. The Treasury has been barred from selling any silver since the end of last year because of the expiration of the Green Act, which permitted sales of surplus silver at 71.11 cents an ounce. Treasury stocks of unpledged silver total 220,000,000 ounces, of which 70,000,000 is leased out to the War Department and Reconstruction Finance Corp. For coinage purposes, the Treasury is to hold 100,000,000 ounces.

New domestic silver is likely to be offered in increasing quantities. U. S. production of silver declined about 50 per cent during the war. Silver producers say output can be restored only by a substantial increase in price.

Foreign silver also is to start flowing to U. S. markets again. Suppliers in other countries, notably Mexico, have been reported withholding silver in anticipation of higher prices. The end of OPA, which had a ceiling of 71.11 cents on silver, brought some Mexican silver to this country at prices up to 90.3 cents. Now, with a settled price situation, additional quantities are to be expected.

Lend-Leased silver is to start returning to the Treasury in the next years. During the war, foreign countries got 407,800,000 ounces from this Government under agreements to return it within five years after the war.

Industry's demand for silver for civilian uses is unprecedented. Before the war, industrial users accounted for only 30,000,000 to 35,000,000 ounces a year. Needs for 1946 are estimated at 125,000,000 ounces, including 70,000,000 ounces for the silverware industry.

U. S. LOANS TO FOREIGN COUNTRIES

Great Britain now gets a dollar loan of $3,750,000,000, of which $300,000,000 already has been advanced by the U. S. Treasury. This is the biggest of the U. S. loans abroad, but is by no means the whole story of this Government's foreign lending. The U. S. Export-Import Bank, which has operated since 1934, is handling all other U. S. Government loans to foreign countries. It has a lending authority of $3,500,000,000 and is likely to get another $1,250,000,000. It has paid out $1,054,682,938 in foreign loans, and credit lines still open to foreign borrowers total $1,956,172,019. Repayments amount to $327,483,634. The table below shows the distribution of Export-Import Bank loans around the world:

Country	*Amount Drawn*	*Amount of Credit Still Open*	*Purpose*
LATIN AMERICA			
Argentina	$ 390,000*		U. S. Products
Bolivia	3,329,753	$ 14,300,000	Materials and equipment
Brazil	102,414,956	57,929,520	Equipment of various kinds
Chile	27,819,920	44,897,408	Industrial equipment
Colombia	30,401,730	19,000,255	Rail and other equipment
Costa Rica	7,224,607	50,000	Building material
Cuba	56,168,473	7,310,000	Materials and equipment
Dominican Republic	3,283,932		Building materials
Ecuador	6,489,139	11,000,860	Various materials
Haiti	10,680,000		Rubber development
Honduras	1,000,000	1,700,000	Materials and equipment
Mexico	41,672,650	56,910,682	Highways, transport equipment
Nicaragua	4,650,000		Materials and equipment
Panama	2,487,703*		U. S. products
Paraguay	6,065,000	135,000	Building and other materials
Peru		25,450,000	Industrial, farm products
Salvador	1,476,000	250,000	Construction
Uruguay	9,485,964	22,592,910	Materials and equipment
Venezuela	5,144,078		Construction materials
Miscellaneous	24,497,970	72,790,407	Credits to air lines, banks
ASIA			
China	132,798,993	84,411,286	Machinery, ships, equipment
Iran	462,429*		U. S. products
Netherlands Indies		100,000,000	Machinery and supplies
Saudi Arabia		25,000,000	Products and services
Turkey		3,060,000	Airport equipment
EUROPE			
Belgium	90,400,000	9,600,000	Various U. S. products
Czechoslovakia	794,443*		U. S. products
Denmark	15,000,000	5,000,000	Various U. S. products
Finland	39,202,470	28,201,361	Cotton and other products
France	287,000,000	913,000,000	Machinery and other products
Germany	4,559*		U. S. products
Greece		25,000,000	U. S. products
Iceland	590,000		U. S. products
Italy	13,376,264	25,000,000	Cotton and other products
Latvia	10,782*		U. S. products
Netherlands	66,600,000	243,400,000	Various products
Norway	226,612*	50,750,000	Farm and industrial products
Poland	3,547,411	40,000,000	Cotton, copper, coal cars
Portugal	1,270,865*		U. S. products
Spain	13,681,073*		U. S. products
Sweden	4,111,000*		U. S. products
Miscellaneous		60,000,000	Cotton
OTHERS			
Canada	37,415,000*		U. S. products
Ethiopia	500,000	3,000,000	Machinery and vehicles
Portuguese W. Africa	65,000	235,000	Materials and equipment
Puerto Rico	450,000		Machinery and equipment
Virgin Islands		250,000	Agricultural products
Various countries		5,000,000	Communication equipment
Special credits	2,494,151	947,325	Short-term credits to various export-import firms

*Repaid in full.

"The Yeas and Nays"

Reg. U.S. Pat. Off.

EDITOR'S NOTE: *Brief letters of comment and suggestions are invited. Those not intended for publication, and those with which writers desire to have only initials used, should be so marked.*

On Aspects of OPA Fight

Sir:—I have read with great interest your Editorial in *The United States News* of July 12 on "Irresponsible Government."

It is high time something should be done to pass a constitutional amendment to take care of questions like the President's veto of the OPA. This should automatically cause the issues to go to the people, either in the shape of a complete new election, or some other method to get the views of the people as a whole.

Buffalo, N. Y. W. T. G.

Sir:—Let us hope that President Truman will stubbornly veto any federal price-control legislation. Then we will soon learn what controls, if any, are needed and the States may once more exercise their sovereign rights, a consummation devoutly to be wished.

LAMBERT FAIRCHILD, Chairman,
Committee for Republican Integrity
New York, N. Y.

Sir:—Can this be our once-happy America, governed by the people, of the people and for the people? We now seem to be dictated by the OPA, of the OPA and for the OPA. We've had five years of OPA—long enough to try it out, and it has not brought happiness. So, now that the war is over, why not give the people a try and let us work together for the good of all?

Norwalk, Conn. MRS. G. H. H.

* * *

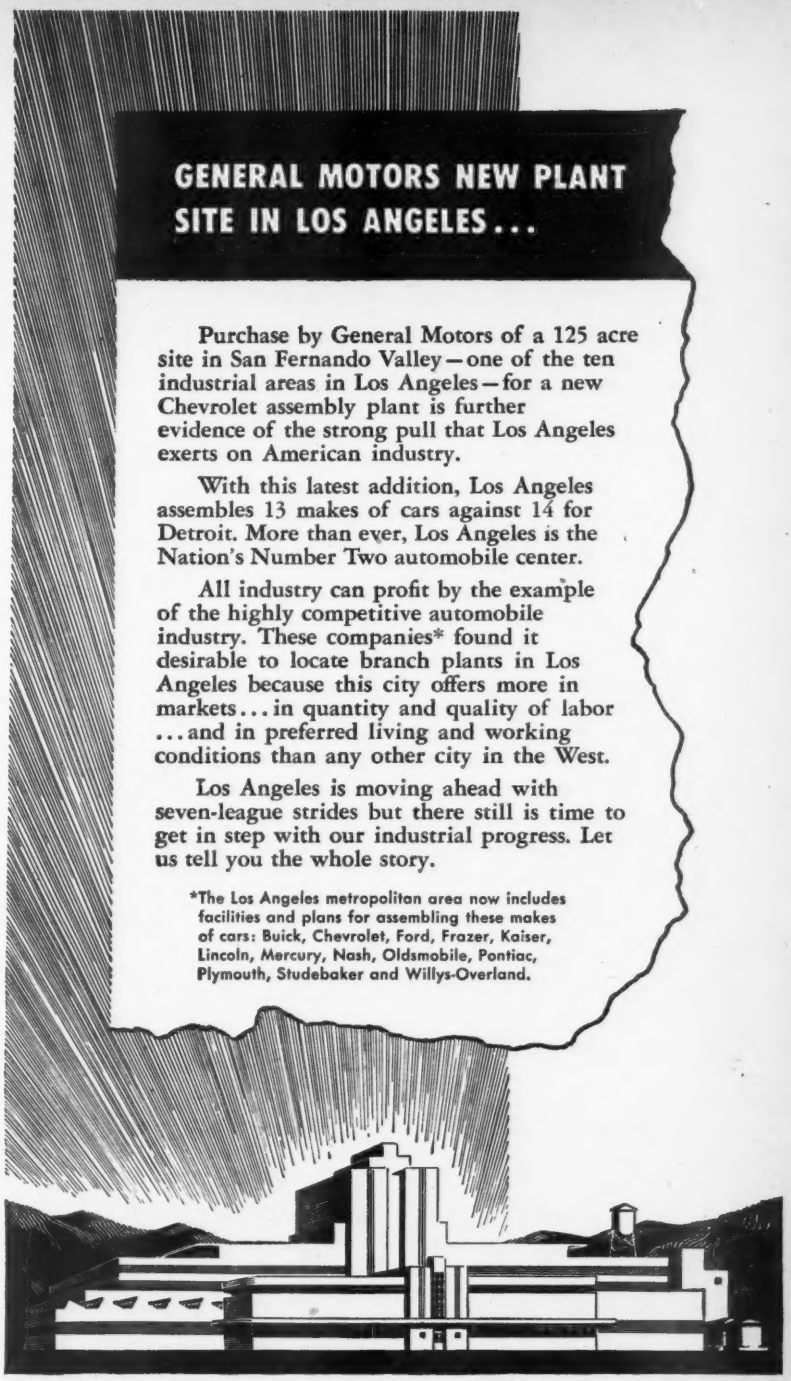
The following answers to the question, "In your opinion, is it better to let price controls die or to maintain controls?" were received too late for the issue of July 19.

It is better to let price controls terminate than to renew the old law without modification. I believe the modified bill vetoed by the President to be realistic and practical. Under it would result more orderly transition with a minimum of disruption to the economy.

HENRY MATTER, Managing Director,
Wholesale Dry Goods Institute
New York, N. Y.

It is my personal opinion that price controls, in fact all controls, should be eliminated. Competition will take care of price control.

L. S. CROWDER, General Manager-Treasurer,
National Retail Credit Association
St. Louis, Mo.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Trend of American Business

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Price control or no price control, things are set to move ahead rapidly once the rules are fixed, once the rule makers stop fiddling.

Big strikes, in basic industries, are off until after the elections.

Steel output is holding high to ease that bottleneck a bit.

Building-material production is rising steadily, and that helps.

Man power is adequate, and will remain adequate even if tight.

Inventories of materials in relation to production volume are low, forcing industry to operate on a hand-to-mouth basis, but the flow of supplies and of parts is improving and promises to go on improving.

Trends are upward all along the line in the face of pessimism on the part of many people. Auto output is not what it should be, but it is higher than at any time since war ended. Construction is difficult, but slowly improving.

Basically, the elements of a period of good times all are present.

Employment, outside military, is higher than at any previous time.

Income payments to individuals are running above $161,000,000,000 on an annual basis, which is near the wartime high. Payments are rising.

Demand for goods on the part of people with money to spend remains large and unsatisfied. That demand is not yet dulled by price rises to date.

Supply of goods is improving steadily to dull inflation pressures.

During the months just ahead, supply and demand at the existing level of prices will come into balance gradually in many fields. The sellers' market in old houses may end any day. There seems even now to be some resistance to the level of costs of new-house construction. Demand for woolen goods at existing prices might slow one of these days. The same is true in some other textiles. Demand for radio sets probably can be satisfied rather rapidly.

A setback, however, a time when the buying public pulls back from goods offered at the prices charged, is unlikely to occur until sometime in 1947.

Timing of the setback will be related to rapidity of price rises.

Uncertainties now are: (1) OPA's future; (2) buyers' strike; (3) labor.

Any revived price control, from now on, will be weak control at best.

Industry's prices then would be governed by a definite profit formula; would not be subject to the whims of OPA officials who may not like profits.

Farm prices would be under Agriculture, not OPA, control.

Price roll-backs would be difficult, and used very sparingly.

Decontrol would be in the hands of a board, not of OPA.

That assumes that OPA is revived. Odds still are that it will be, if for no other reason than that members of Congress are a bit concerned about going home at a time when living costs might be putting a squeeze on voters. Revived controls, however, would not be comparable to pre-July 1 control, when OPA was riding high and inclined to use its power freely.

A buyers' strike is largely something to talk about, not to worry about.

Buyers will buy if they have the money and the wants.

A buyer can be priced out of a market, can conclude that he values his dollars more than he does the product offered for sale at the price asked.

That happens, but it isn't a "strike" by buyers who consciously gang up on sellers and maintain a united front for any period of time. People need

(over)

Written for the issue of July 26, 1946, Volume XXI—No. 4
JULY 26, 1946

to eat and wear clothes and have shelter and do housework. They don't go hungry or ill-clad or homeless, nor do they shy away from labor-saving equipment just to try to spite a manufacturer or merchant.

A buyers' strike will come when, and if, prices get out of reach of buyers.

The labor outlook, too, isn't so bad for the next few months.

CIO leaders will try to delay new strikes until after November elections.

AFL leaders are talking of the need for production to curb inflation.

Labor leaders are coming gradually to realize that it doesn't make much difference whether a new car costs $10,000 or $1,000 if there are no new cars. That revelation has been slow to dawn upon high Government officials, as well as upon labor leaders. It's something they hadn't thought about when demanding that higher wages be paid out of thin air rather than out of production and sale of real goods on a basis that can yield a profit.

Strike outlook is fairly favorable until November or December.

It is wrong to assume, however, that prices can rise sharply in the period ahead without having serious consequences, without precipitating a bust.

Too many U. S. families can be priced out of markets in a hurry. Too many do not have high current incomes or big savings to meet a price rise.

What an official study finds about incomes in U. S. is this:

About 20 per cent of U. S. families have under $1,000 of annual income.

Nearly half of U. S. families have under $2,000 a year of income.

About 70 per cent of families get along on under $3,000 a year.

Only 7.4 per cent of families have incomes above $5,000 and only 2.6 per cent earn above $7,500 to be in the select group of families.

Furthermore, savings and liquid assets are concentrated in the families with incomes above $5,000. The currency and bank deposits of persons earning up to $3,000, on an average, amount to relatively little per family.

This much is clear from the way income is distributed:

A price rise of 10 or 15 per cent can pinch as many as 22,000,000 families or "spending units" with incomes of under $2,000 a year.

The 32,000,000 families, or spending units, with incomes under $3,000 a year have relatively little put aside to buy the products of industry and must depend heavily on consumer credit. Higher prices will hit them.

Industry is not much more sure of mass markets for durable products in the so-called "lower income" groups than it was before the war.

You get the story of incomes and their pattern on page 11.

Prices, actually, are in a rapid rise.

Commodity-price index, at wholesale, now is above 120 per cent of 1926. It was 112.7 per cent of that level when OPA died.

Farm products and foodstuffs are showing the big rise.

Industrial raw materials, to date, have risen in a scattered way.

Finished-goods prices are not yet marked up much, over all.

Prospect still is that, without OPA, the level of commodity prices will rise about 20 per cent by year end, with cost of living up 12 to 15 per cent. With OPA, the rise still would be substantial, but not quite that much.

This factor is beginning to show in retail trade:

Sales, seasonally adjusted, are in a downturn that started in March.

Inventories of goods in retailers' hands are rising and in May were about 18 per cent above January, with the trend upward.

The relationship of inventories to sales still is low, but inventories are being built up in a time of rising prices. If goods should not sell well at the higher price levels to prevail later in the year and in 1947, retailers could find themselves with a problem on their hands.

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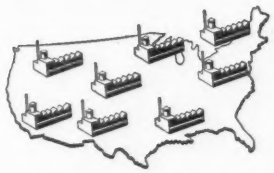
for all your plants  —*wherever* located

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The Texas Company

Mr. Stassen's Strategy: Object, Presidency . . . Reactions Of U. S. Labor Leaders Carey and Thomas to System in Russia

HAROLD E. STASSEN, a placidly self-confident young Minnesotan, has given himself a difficult assignment. Mr. Stassen wants to be President of the United States. And, as a result of the recent primary election in his State, he is rated just now as a definite contender for the 1948 Republican presidential nomination. So far, his supporters think, things have gone well.

But, to win the nomination, the determined Mr. Stassen must break down the opposition of the party's conservative Old Guard. This group controls the national Republican organization and dislikes Mr. Stassen's ideas on "liberalizing" the party. He also must head off a large field of candidates with "favorite son" support. And he must reassure a bloc of extreme Republican liberals who want to support Mr. Stassen but at present find him less aggressive and less specific on domestic economic issues than they would like.

All this places formidable obstacles in Mr. Stassen's chosen path to the White House. But he and his advisers have reached some definite conclusions as to what should be done. Since the Stassen victory in the Minnesota primary, too, many voters have been trying to estimate his chances of success, and wondering what the campaign strategy would be. Some also are asking what Mr. Stassen means by "liberalizing" the party, just what he stands for in domestic as well as international affairs.

The whole story is an unusual chapter in American political history.

Strategy. The Stassen strategists hope to win the nomination ultimately by making a deal with the Old Guard. But it is to be a deal on Mr. Stassen's own terms, a deal forced upon the party conservatives by convincing them that the best prospect of Republican success in 1948 lies in nominating Mr. Stassen.

This is to be done in the course of the next two years by maintaining and steadily building Mr. Stassen's prestige with the voters and making it show in the various opinion polls. The Stassenites are convinced that it was Governor Thomas E. Dewey's standing in the polls that brought the Old Guard reluctantly to his support and gave him the nomination in 1944.

To build Mr. Stassen's popular prestige to such proportions, however, presents some dismaying problems. He is generally known as an earnest and forthright opponent of isolationism, and a foe of the extreme conservatism of his party leaders. He made himself thus known as a former Governor of his State and a member of the delegation to the San Francisco Conference that wrote the United Nations Charter. But now he has no public office that can be used for making a record and as a sounding board for his ideas. So his ideas must be presented as those of an individual.

Campaign plans. To keep himself before the public, Mr. Stassen plans an energetic speaking schedule. It will carry him into numerous States and have him appearing personally before as many voters as possible. As the congressional campaign gathers force, he is to speak on behalf of a number of Republican candidates, particularly those whose views generally coincide with his own. The idea of interceding in Republican primary contests has been dropped. Mr. Stassen tried that in Nebraska and was beaten.

The Stassen speeches, supplemented by magazine articles and interviews, are to form a running commentary on domestic and international events, which gradually will unfold his attitude on a variety of issues.

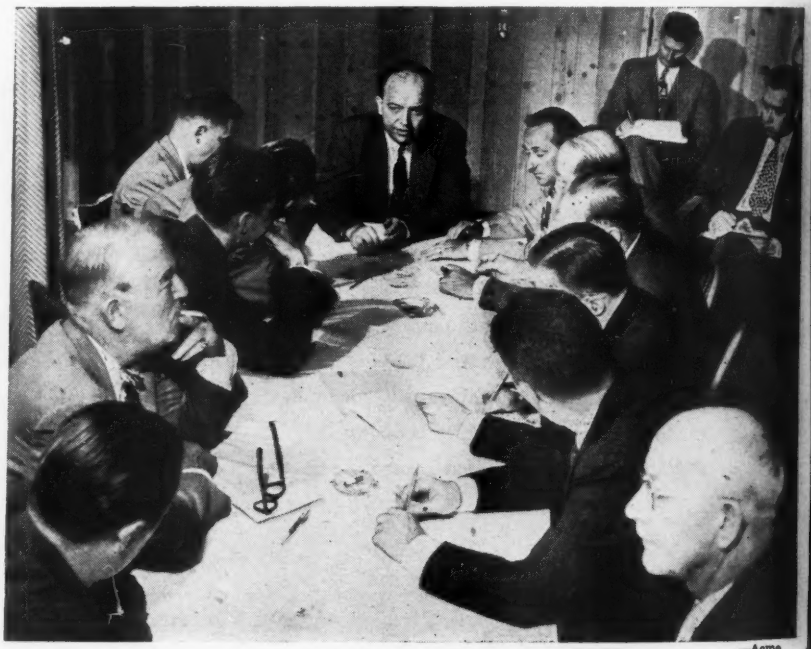
In 1947 there are to be more speeches and several trips abroad. Apparently it is expected that interviews with foreign correspondents and ship-news reporters will keep his name in the headlines and his ideas before the public.

Then, in 1948, the real test of his progress is to begin with campaigns for convention delegates in State preferential primaries. If the plan works out, Mr. Stassen by then will have proved his ability as a vote getter on a national scale, an ability already demonstrated in Minnesota. A few primary victories and mounting support in the opinion polls are counted upon to bring the Old Guard into line before or during the convention.

This in broad general outline is the Stassen campaign strategy. No one realizes more than Mr. Stassen, who thoroughly understands practical politics, that it takes much for granted.

Opposition. The conservatives, headed by Senator Robert A. Taft of Ohio, are not to be easily swayed. Mr. Taft, himself a potential candidate, will have at his command the paper delegations from the Southern States, and probably will carry much influence with a number of delegations nominally pledged to support favorite sons. Close observers of the situation say the only safe prediction is that no candidate will have a majority on the first convention ballot.

The attitude of the Old Guard,* too, probably will be governed by political conditions as they exist in 1948. If it appears that it will be easy to dislodge the Democratic Administration, Senator Taft and his group will not be disposed to yield to Mr. Stassen's ideas. If it develops,



—Acme

ON THE NATIONAL SCENE: STASSEN & REPORTERS
What did "liberalizing the party" mean?

however, that an aggressive candidate with a liberal tone is demanded by the voters, the Old Guard may turn to him.

In any event, when a point is reached at which it becomes obvious that the conservatives do not intend to come to Mr. Stassen's help, he is prepared to make a fight of it, as Wendell L. Willkie did in 1940. Mr. Stassen was Mr. Willkie's convention floor manager, and knows how it is done.

Liberal opponents. For the present, however, due to the general plan, Mr. Stassen is not deliberately making enemies in the conservative camp. Occasionally he criticizes Old Guard decisions or actions in a general way, but avoids an outright collision. This has dissatisfied a liberal group within the party, personified perhaps by Senator Wayne Morse of Oregon.

This group wants Mr. Stassen to make a fight of it, and at once. It also is asking that he be more specific on important issues.

Republican liberal. As a Republican liberal, Mr. Stassen stands for something about the middle of the road. So far as his record has been made:

Foreign affairs. He was an early opponent of isolationism and supporter of the United Nations, although he believes the latter has imperfections that must be remedied. The United States, he says, must enter into no combination of nations directed against Russia or any other country. The use of the veto in the Security Council must not be allowed to excuse aggression.

Labor. Mr. Stassen believes in strong unions, democratically controlled. Republican labor policy, he urges, should provide machinery for extensive negotiations before strikes; enforced, if necessary, by law. The rights of individual workers should be safeguarded and developed.

Agriculture. Agricultural policy, he says, should be based on high production and the development of large-volume markets for farm products, with safeguards to prevent economic distress. Governmental controls on the farmer should be eased.

Inflation. "Production and more production," Mr. Stassen says, "is the nation's greatest safeguard against inflation."

Private enterprise. He is vigorously opposed to the socialization or nationalization of segments of the economy.

Background. These views, to be elaborated by Mr. Stassen's speeches, were acquired in the course of a meteoric political career. He entered politics soon after leaving law school, quickly won election as a prosecuting attorney, and fixed his sights on higher offices. Although virtually unknown, he ran for Governor of Minnesota in 1938. He had few supporters and little money, but he proved a prodigious campaigner. He drove from town to town, making tightly reasoned, calmly delivered speeches. He asked the help of the Republican State organization, but it had no support for a 31-year-old unknown. But Mr. Stassen was a vote getter, and, when it became apparent that he would win, the State organization finally backed him. The campaign provided the pattern that he is following in seeking the Presidency.

As Governor he straightened out a troubled labor situation with a cooling-off-period law, sent a number of officials of the preceding administration to jail for financial irregularities, and introduced many economies. He was re-elected in 1940 and 1942. Soon after his third term began, he resigned to enter the Navy.

But, once back in civilian life, he set about repairing his political fortunes. Beaten in Nebraska, he backed his protege, Governor Edward J. Thye, for the Senate from Minnesota, against the veteran isolationist, Senator Henrik Shipstead, and won by an easy margin. He was criticized for not running himself. Some asserted that he did not want to have to take a position on every rising issue under the necessity of casting a Senate vote.

In any event, he now is free to develop his ideas slowly and thoughtfully, the way he likes to. He remains a rallying point for Republicans who dislike extreme conservatism. As such he is a presidential contender who must be reckoned with.

—International News Service

ON THE INTERNATIONAL SCENE: STASSEN, MOLOTOV & INTERPRETER
On some issues, the platform was clear

Reporters on Russia

Two American labor leaders are just back from a visit to Russia, where they had an opportunity to observe conditions and practices more closely than most outsiders.

The two are:

JAMES B. CAREY, secretary-treasurer of the CIO, who has vigorously opposed Communist influences in American unions; and,

R. J. THOMAS, vice president of the United Automobile Workers, who, more tolerant of Communists here, has accepted their support in union elections.

Despite these differing outlooks, they brought back strikingly similar impressions of what is happening behind the Soviet Government's "iron curtain of secrecy."

Collective bargaining actually takes place in Russia, but rather differently than in America. There, a plant is given a quota of work and a budget of money to cover it. Union officials, elected by secret ballot, bargain with the management as to how much of the quota shall be assigned to wages.

Strikes. During their stay in Moscow, a strike was threatened. The "praesidium," or executive committee, of the union authorized it. The issue was a complaint about ventilation. A newspaper editorially criticized the union for having let the condition continue as long as it had, and the management for not having the interest of the workers at heart. The issue was still unsettled when Mr. Thomas and Mr. Carey left Moscow.

Union membership. No one is required to belong to a union. There are no closed shops. But, said Mr. Thomas, a worker would be "foolish" not to join. This

XUM

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NEW ISSUE

July 11, 1946

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The United States News

30 Rockefeller Plaza, New York

People of the Week

—Acme

R. J. THOMAS
He went behind the iron curtain

is because the social security system is administered by the union. The union maintains summer camps for the children of its members, it has vacations homes in Southern Russia for the workers themselves, and it is in charge of cultural and recreational facilities.

Inducements. The incentive of big money incomes is entirely lacking in Russia, and actually is little comprehended. Instead, the inducement for hard, painstaking work is to rise above the rank and file. Union officials and management, together with officers of the Red Army, receive special privileges. They get the better housing, the use of cars, large discounts in making purchases at the stores, sometimes easier rationing.

Production. Mr. Thomas visited the Stalin Automobile Works. He found that it used American machinery, the same that is used in Detroit. But production lines are shorter. The great Stalin Works is broken up into smaller plant units. Much time is lost in shifting work from one plant to another. Everything for the automobile is made within the plant—nuts, bolts and parts such as an American manufacturer would purchase from an outside producer.

Individual workmen, Mr. Thomas thought, worked along at about the same pace as the Detroit automobile worker. Many questions by both workers and management were asked of the Americans as to how things are done in America.

The penalty for a plant manager who fails to meet his quota is demotion to the production line, and loss of his special housing, auto and discount privileges.

Women workers. Women work along with the men even in the heaviest operations, such as foundry work and street paving. The Russians give equal pay for

equal work, but, said Mr. Thomas, "when they say equal work, they mean it."

Man power. Man power was said to be very short all over populous Russia, a fact perhaps attested by the heavy work done by women.

The people. The Russian people, Mr. Carey said, have an intense curiosity about America and Americans. A Russian, he added, could walk from one end of Broadway to another in native costume and no one would speak to him. But an American in Moscow is pointed out. People with some knowledge of English ask questions, principally about how things are done in America, how Americans live. They express bewildered astonishment when told that American housewives have refrigerators and similar household devices.

Neither, said Mr. Carey, can the Russians comprehend the flat refusal of American management to yield an inch in a dispute with workers. They just don't understand the American system.

As for living conditions:

Housing. The housing situation in Moscow is desperate. There has been virtually no construction in five years. Meanwhile the city has grown by 2,000,000 inhabitants. Both Government and industry widely increased their number of workers. Moscow is a combined Washington and Detroit.

Clothing. Clothing seemed surprisingly good, but still below American standards. Mr. Carey thought it much better than eight months ago, when he also visited Moscow.

Food. People on the street seemed to have had enough to eat. But there was much talk of a bread shortage.

Such is the report on Russia that these union leaders are bringing back to their members.

—Harris & Ewing

JAMES B. CAREY
America's system was a mystery

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July 17, 1946

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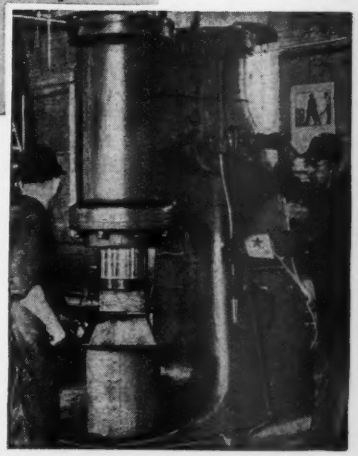

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Due to inflation—caused by the reduction in the purchasing power of our money—most manufacturing costs have risen substantially since the war. The petroleum industry furnishes no exception to this trend.

The cost of discovery and development of crude oil is approximately 50% greater now than during the pre-war period of 1935-1939. Refinery labor costs are 56% higher; costs of plants and equipment up two-thirds; cost of operating tanker fleets up over 50%.

Gasoline Prices Practically at Pre-War Level

In spite of these higher costs, the petroleum industry, through technological developments, has been able not only to improve the quality of its products, but has, at the same time, held down prices. Astonishing as it may seem, you are buying gasoline today for practically the same price you paid before the war, exclusive of tax.

The Consumer Gets the Benefit

These results have been possible only because the petroleum industry has been America's most highly competitive industry. Sun Oil Company competes with hundreds of other companies for the gasoline business of American motorists. The result is a never-ending battle to produce better products at lower prices—a battle in which the consuming public is always the greatest winner.

Our Low Price Policy

Sun Oil Company welcomes competition, challenges any other company to produce a product as good as Sunoco Dynafuel to sell at a lower price. Unless forced by economic factors beyond our control, such as the unsound monetary and fiscal policies which menace this country with inflation, Sun Oil Company will continue its endeavor to make even better products than those we are now marketing, and to sell them at even lower prices.

SUN OIL COMPANY

J. Howard Pew, President

U.S. NEWS ★ ★ ★ Official Text

HOW U.S. CAN PROTECT ITSELF

Conclusions of Strategic Bombing Survey Based on Analysis of Pacific War

An outline of the new problems of national defense facing this country is given in a report on the Pacific war by the U. S. Strategic Bombing Survey. The conclusion of this report is printed in full below.

A group of prominent civilians, aided by a staff of 1,150 experts, made this study for the President. Their mission was to evaluate the effect of our air attack against Japan, to point out any errors in the way the attack was handled, and to recommend what the U. S. should do to protect itself against atomic bombs. A similar study of the European air war was completed some time ago.

Recommendations of this group are significant guides to an understanding of the future military policies of the United States. The Survey commission believes that it is not enough to have a unified Army and Navy. It recommends creating a third establishment with primary responsibility for civilian defense and strategic counterattack. This new arm of national security would plan for evacuating cities, dispersing industry, and other measures that must be taken long before the bombs fall. The Survey's experts add that the U. S. may have to spend $1,000,000,000 a year for basic and applied military research.

The Survey has already reported on the results achieved by air power in the European war. It remains to seek out the degree to which the Pacific study modifies, adds to or supports the signposts to the future which were suggested by the European study; to state the extent to which hindsight suggests that air power might have been differently or better employed in the Pacific; to discuss the impact of the existence of atomic bombs on the role of air power; and to state the Survey's recommendations. First, however, it is necessary to point out some of the unique features of the Pacific war which must be borne in mind while considering lessons to be learned from it.

UNIQUENESS OF PACIFIC WAR

The Pacific war was unique in many respects, as was the European war, and great reservation should be used in assuming that what was effective or not effective under those circumstances would be similarly effective at other times and under different circumstances. Japan's initial war strategy called for a war of limited objectives. Her capabilities did not permit an attack on our basic supporting strength. She was, however, a fanatically determined enemy, well prepared initially, and the fighting quality of her soldiers, seamen and airmen should not be underestimated.

Japan's geographical situation determined that the Pacific war should in large measure be a war for control of the sea and to insure control of the sea, for control of the air over it. As a result, attacks against warships and merchant ships and amphibious operations for possession of island positions on which forward bases could be located were close to the heart of the struggle. Carrier task forces, surface ships to provide logistic support, and submarines therefore assumed roles of unusual importance.

Japan's industrial potential was approximately 10 per cent of that of the United States. Even though her research and technical design work was not purely imitative, her ability to develop reliable operating equipment in the new fields was low. Her radar and communications equipment was weak. She could not build sufficient ships or escort vessels. She lacked construction equipment to build adequate airfields. She was always hampered by a lack of oil. Her antiaircraft was outmoded. She could not economically afford to build adequate shelters for her population. She could not both disperse her industry and also repair damaged plants. She chose dispersal rather than repair, but she had insufficient means even to disperse effectively.

SIGNPOSTS

Not only the uniqueness of the Pacific war but new developments in weapons and tactics make it impossible to assert that signposts to the future derived from the Pacific war will apply with equal force to other situations. The Survey believes, however, that the following signposts as to the role of air power should be given thorough consideration by those working out the solutions to new problems arising under differing conditions.

1. Control of the air was essential to the success of every major military operation. Control of the air enabled surface vessels to sail the seas as far as that control extended, even within range of enemy land-based airplanes. Control of the air permitted amphibious landings at any point where that control could be assured. Control of the air permitted close air support to ground forces, the effectiveness of which was decisive wherever fully employed. Control of the air over lines of communications permitted effective interdiction of them to the enemy and

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preserved them to ourselves. Control of the air over the Japanese home islands permitted the destruction by long-range bombing of such of her industries and cities as we chose to attack. The first objective of all commanders in the Pacific war, whether ground, sea or air, whether American, Allied, or Japanese, was to assure control of the air.

2. Control of the air was not easily achieved, and involved the co-ordinated application of all the resources of the nation. Air power consisted not merely of the planes and pilots that engaged the enemy, but of all the sources of strength that supported, reinforced and exploited control of the air. It was co-ordinated team play of ground, sea and air forces, both ground-based and carrier-based, and their supporting services, backed up by the full effort of all phases of the home front that enabled us to secure control of the air, at first locally and then more generally, culminating in virtual freedom of the skies over the Japanese home islands themselves.

3. The limitations of air control deserve special mention. It was never completely possible to deny the air to the enemy. It was considered that we had control of the air when the enemy could not operate in it without prohibitive losses in relation to results achieved, while our own planes could operate in it at will and with acceptable risk of loss. The Japanese increased their ratio of results achieved to losses by adopting Kamikaze tactics. This was a measure of desperation, but the results obtained were considerable and, had they been much greater, might have caused us to withdraw or to modify our strategic plans. The principle involved indicates the degree to which defensive air control must be improved or enemy bases kept beyond the range of enemy suicide planes or guided missiles from such land or sea as we propose to use.

4. Given air control, there were also limitations as to the specific results which could be achieved in exploiting such control by aircraft carrying conventional high-explosive bombs. Foxholes, underground emplacements and other prepared defenses could not in many cases be reduced, and it was necessary to eliminate remaining ground forces in costly close-range fighting even though these forces were isolated and completely cut off from supplies and reinforcements.

Weather and darkness limited exploitation of air control, but as the war progressed technical and tactical advances were made which progressively reduced these limitations.

Combat radius of fighters and time on patrol at maximum radius, although great by previously existing standards, required that airfields or carriers be available within 300 nautical miles or less of the critical areas of surface combat for optimum fighter cover. The effective radius of our longest-range bombers was limited to 1,500 miles and bases still closer to Japan were considered essential for emergency landing and fighter support.

The importance of reducing these limitations of control of the air and its exploitation by the application of research and development work in postwar years is obvious.

5. The experience of the Pacific war supports the findings of the Survey in Europe that heavy, sustained and accurate attack against carefully selected targets is required to produce decisive results when attacking an enemy's sustaining resources. It further supports the findings in Germany that no nation can long survive the free exploitation of air weapons over its homeland. For the future it is important fully to grasp the fact that enemy planes enjoying control of the sky over one's head can be as disastrous to one's country as its occupation by physical invasion.

HINDSIGHT

Hindsight inevitably suggests that in some respects air power might have been differently or better employed.

Prior to the European war, we underestimated the predominant role that air power was to play and allocated to it too small a share of even the inadequate resources then available to the Army and Navy. At the outbreak of the Pacific war, our deficiency was particularly great in modern land-based fighters and in carriers. One thousand planes in the Philippines, at least equal in performance to the best then available to the Japanese, including types effective against shipping, well-manned, equipped and supplied, and dispersed on some 50 airfields, would have seriously impeded the original Japanese advance if knowledge of their existence had not entirely dissuaded the Japanese from making the attempt. The loss of relatively antiquated battleships at Pearl Harbor had little effect on the Navy's combat capabilities at that time, while the addition of a few carriers would have enormously increased its capabilities. Larger over-all appropriations to the armed forces, beginning at the time of Japanese occupation of Manchuria when the threat to peace in the Far East became evident, might have made war unnecessary and would have paid for itself many times over in reduced casualties and expenditures had war still been unavoidable.

Upon entering the war, we were deficient not only in numbers, but in quality of many of our aircraft types. We were forced thereafter into hasty and costly modification and technical development programs to raise the performance of our aircraft to acceptable standards. These programs could have been conducted more efficiently and economically during prewar years.

In the actual conduct of the war we more quickly grasped the strategic revolution brought about by the capabilities of air power than did the Japanese. By the end of 1943 we had achieved through combat and the augmentation of our forces, such clear-cut superiority over the Japanese in all elements of air power that eventual victory was assured.

In exploiting this superiority greater economy of effort was possible. The structure of our prewar military organization provided no means, short of the President, for integrating our armed forces. Under the pressure of war the Joint Chiefs of Staff was the most decisive mechanism then possible to fill this gap. Each of its members had in effect the power of veto and the required unanimity was produced by compromise. It proved impossible to agree on an over-all commander for the Pacific as a whole. Our military and economic strength, however, made it possible to plan and execute a dual line of advance across the Pacific and to mount an air attack of sufficient weight to induce unconditional surrender concurrently with the preparation of a full-scale invasion.

Capture of the Gilbert Islands produced limited strategic results. Attacks on Rabaul and other by-passed positions were continued longer and in greater volume than required. The effectiveness of high-level attack in softening up prepared defenses and in sinking maneuvering ships was overestimated. Prior to the occupation of the Marianas, B-29s could have been more effectively used in coordination with submarines for search, low-level attacks and mining in accelerating the destruction of Japanese shipping, or in destroying oil and metal plants in the southern areas, than in striking the Japanese "inner zone" from China bases.

In the final assault on the Japanese home islands we were handicapped by a lack of prewar economic intelligence. Greater economy of effort could have been attained, and much duplicative effort avoided, by extending and accelerating the strangulation of the Japanese economy already taking place as a result of prior attacks on shipping. This could have been done by an earlier commencement of the aerial mining program, concentration of carrier-plane attacks in the last months of the war on Japan's remaining merchant shipping rather than on her already immobilized warships, and a co-ordinated B-29 and carrier attack on Japan's vulnerable railroad system beginning in April, 1945.

We underestimated the ability of our air attack on Japan's home islands, coupled as it was with blockade and previous military defeats, to achieve unconditional surrender without invasion. By July, 1945, the weight of our air attack had as yet reached only a fraction of its planned proportion, Japan's in-

dustrial potential had been fatally reduced, her civilian population had lost its confidence in victory and was approaching the limit of its endurance, and her leaders, convinced of the inevitability of defeat, were preparing to accept surrender. The only remaining problem was the timing and terms of that surrender.

Having entered the war inadequately prepared, we continued all-out mobilization of all resources to bring ever increasing pressure on Japan, beyond the time when this was still reasonably required.

THE IMPACT OF ATOMIC BOMBS ON THE ROLE OF AIR POWER

Does the existence of atomic bombs invalidate all conclusions relative to air power based on preatomic experience? It is the Survey's opinion that many of the pre-existing yardsticks are revolutionized, but that certain of the more basic principles and relationships remain. The atomic bomb, in its present state of development, raises the destructive power of a single bomber by a factor of somewhere between 50 and 250 times, depending upon the nature and size of the target. The capacity to destroy, given control of the air and an adequate supply of atomic bombs, is beyond question. Unless both of these conditions are met, however, any attempt to produce war-decisive results through atomic bombing may encounter problems similar to those encountered in conventional bombing.

The problem of control of the air, primarily of our own air, and, should we be attacked, of the enemy's air as well, becomes of even greater significance. The most intense effort must be devoted to perfecting defensive air control both by day and night, through the improvement of early warning and fighter-control apparatus, antiaircraft ordnance and defensive fighters, not only from the standpoint of technological improvement and volume, but also of disposition and tactics. It would be rash, however, to predict an increase in the effectiveness of defensive control sufficient to insure that not a single enemy plane or guided missile will be able to penetrate. It therefore behooves us to accept the possibility that at least a small number of enemy planes or guided missiles may be able to evade all our defenses and to attack any objective within range.

The threat of immediate retaliation with a striking force of our own should deter any aggressor from attacking.

If we are not to be overwhelmed out of hand, in the event we are nevertheless attacked, we must reduce materially our vulnerability to such attack. The experience of both the Pacific and European wars emphasizes the extent to which civilian and other forms of passive defense can reduce a country's vulnerability to air attack. Civilian injuries and fatalities can be reduced, by presently known techniques, to one-twentieth or less of the casualties which would be suffered were these techniques not employed. This does not involve moving everything underground, but does involve a progressive evacuation, dispersal, warning, air-raid shelter, and postraid emergency assistance program, the foundations for which can only be laid in peacetime. The analysis of the effects of the atomic bombs at Hiroshima and Nagasaki indicates that the above statement is just as true and much more terrifyingly significant in an age of atomic bombs than it was in an age of conventional weapons. Similarly, economic vulnerability can be enormously decreased by a well-worked-out program of stock piles, dispersal and special construction of particularly significant segments of industry. Such a program in the economic field can also be worked out satisfactorily only in peacetime.

In the strictly military field the impact of atomic weapons and guided missiles on strategy and tactics can only be developed by military specialists. It is the Survey's opinion, however, that mature study by such specialists will support the conclusion that dispersal of military forces, and therefore space and distance in which to effect such dispersal, will be significant considerations; that heavy bombers similar to those used in this war will not be able to operate effectively and on a sustained basis much beyond the range of protective fighters, and that newer types of offensive weapons and new tactics must be developed to do so; that forward air bases will have to be defended or more advanced bases acquired step by step in actual combat; and that the basic principles of war, when applied to include the field of the new weapons, will be found to remain. If such be the case, atomic weapons will not have eliminated the need for ground troops, for surface vessels, for air weapons, or for the full co-ordination among them, the supporting services and the civilian effort, but will have changed the context in which they are employed to such a degree that radically changed equipment, training and tactics will be required.

RECOMMENDATIONS

Over and above the numerous recommendations scattered throughout preceding sections of this report, of which the recommendation that we develop protection for our civilian population and for our economy is one of the most important, the Survey has been impressed with the need for concrete and prompt action to encourage adequate research and development; to assure adequate intelligence during peacetime; to integrate our military establishments; and to increase the national appreciation of the necessity for continued strength of the United States as a force for peace.

Research and development

The "blitzkrieg" technique is of enormous danger. This conclusion, derived initially from the European war, is strongly supported by the Japanese experience. A mobilized and well-trained striking force enjoying a certain technical superiority can overwhelm in short order the forces of a country of far greater basic long-term strength. In the opening phases of the Pacific war the Japanese were able to overun 130,000,000 people and an area of enormous strategic importance in the space of a few months. This was true in spite of the fact that from the time of the Munich conference in 1938 we had been on notice that aggression against the peace of the world was possible and that the intervening years and the experience of our Allies had been invaluable in permitting us to take the necessary steps to revise our strategic concepts, to apply our advanced scientific and development resources to the improvement of our weapons, and to begin our industrial and military mobilization. The distances of the Pacific fortunately gave us space, and therefore time, in which to absorb the initial blow while our increasing strength and Japan's increasing logistic problems reversed the initial disadvantages facing our advanced forces.

Science has increased tremendously the destructive capability of modern weapons and promises further developments in the future. Given an adequate supply of atomic bombs, the B-29s based in the Marianas had sufficient strength to have effectively destroyed in a single day every Japanese city with a population in excess of 30,000 people. In the future, national security will depend to a large degree on technical superiority of weapons and on operating and maintenance proficiency of personnel. Peacetime military strategic planning must be pointed to and supported by a vigorous program of scientific research and development.

If the United States is not to be forced to hasty and inadequate mobilization every time the threat of aggression arises in the world, it is essential that in the field of military weapons and tactics she be technically not merely abreast of, but actually ahead of any potential aggressor. It is not generally realized the degree to which basic scientific research was neglected in the United States during the course of the war in order to concentrate on the belated development of the specific weapons immediately required, nor the degree to which we lagged behind Germany in advanced aerodynamics, jet propulsion and the development of guided missiles. In air armament and torpedoes, even the Japanese were ahead of us. One or two years' lag in either basic research or in the development of reliable military application of such research can only be made up with difficulty,

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if at all. This type of work has become so complex that expenditures for research and development in the order of one billion dollars annually may be required to assure an acceptable degree of national security.

Intelligence

At the start of the Pacific war our strategic intelligence was highly inadequate, and our over-all war plans, insofar as they were based on faulty information and faulty interpretation of accurate information, were unrealistic. After Pearl Harbor the obtaining and analysis of economic and industrial information necessary to the planning of an attack on Japan's sustaining resources required several years of the most strenuous effort and even then substantial gaps remained. If a comparable lack of intelligence should exist at the start of a future national emergency, it might prove disastrous.

In the field of operational intelligence considerable forward strides were made during the Pacific war. The requirements in this field for a large volume of minutely detailed and accurate work, for complex analysis geared to rapidly changing capabilities of forces and weapons, and for speed, all place a heavy burden on training, competence and organization. These requirements were not fully met in the Pacific war; the deficiency was at times serious. This was in large measure traceable to a prewar lack of trained and competent operational intelligence officers to provide an adequate nucleus for an expanding organization.

The basis for adequate intelligence can only be laid in peacetime. The solution to our problems in this field appears in part to be the greater centralization to be provided by the National Intelligence Authority, particularly in securing more adequate co-ordination and dissemination. It appears also to lie in close integration into the various operating organizations of appropriate intelligence units, adequate budgets and personnel for intelligence work, and a sufficient increase in the prestige attached to such work to attract the highest quality of personnel. This latter can only come from increased training in intelligence and active appreciation of its functions on the part of other Army, Navy, and Government officials. The present lack of recognized responsibility for intelligence work by the various operating organizations and the present shortage of trained and competent intelligence personnel give cause for alarm and require correction.

Integration of our military establishments

Organizational deficiences in the Japanese Government contributed to Japan's entering a disastrous war and subsequently contributed to the absoluteness of her defeat. The form of her governmental organization provided no means for civilian control of the military or for obtaining effective co-ordination between the Army and Navy. Military policy was inconsistent with the foreign policy of the Cabinet, the Japanese Army and Navy tending to make their own foreign policy in accordance with their individual aims, capabilities and requirements. During the war, bureaucratic rivalry between her Army and Navy impeded co-ordinated strategic and tactical planning, the proper employment of her air power, the development of adequate logistics and the efficient utilization of her economic resources. The existence of such joint or combined organizations as the Supreme War Council, the Supreme War Direction Council, the Board of Field Marshals and Fleet Admirals, the Imperial General Headquarters served mainly to hide the fact that real unity, integration, and co-ordination were conspicuously lacking.

Even though the United States did not achieve unity of command in the Pacific as a whole, each theater commander used the air, ground and sea forces assigned to him as an integrated or co-ordinated team.

Co-ordination and compromise among theater commanders was largely achieved in all major respects. Such lack of complete integration as existed was in a large measure traceable back through the structure of the Joint Chiefs of Staff to the basic structure of our prewar military organization.

The Congress of the United States is today considering legislation for the reorganization and integration of our military establishments. The Survey is of the opinion that the prompt passage of appropriate legislation is in the national interest.

The lessons of the Pacific war strongly support that form of organization which provides unity of command, capable of clear and effective decision at the top, strengthens civilian control and thus provides closer integration of military policy with foreign and domestic policy, and favors a high degree of co-ordination in planning, intelligence, and research and development. Such unity of command should, however, decentralize administrative burdens and permit specialized training and the free development of the component forces, even at the risk of some duplication.

Within a department of common defense which provides unity of command and is itself oriented toward air and new weapons, the Survey believes that, in addition to the Army and the Navy, there should be an equal and co-ordinate position for a third establishment. To this establishment should be given primary responsibility for passive and active defense against long-range attack on our cities, industries and other sustaining resources; for strategic attack, whether by airplane or guided missile; and for all air units other than carrier air and such land-based air units as can be more effective as component parts of the Army or Navy. The mission of such a new establishment would differ considerably from that of an autonomous air force and would, in certain respects, require additional and broader experience than has heretofore been required by the Army Air Forces alone.

Strength as a force for peace

The Survey's report on the European war stated that the great lesson to be learned in the battered cities of England and the ruined cities of Germany is that the best way to win a war is to prevent it from occurring. This is fully supported by the example of the devastated cities of Japan and their unhappy and hungry surviving inhabitants. The prevention of war must be the ultimate end to which our best efforts are devoted. It has been suggested, and wisely so, that this objective is well served by insuring the strength and the security of the United States. The United States was founded and has since lived upon principles of tolerance, freedom and good will at home and abroad. Strength based on these principles is no threat to world peace. Prevention of war will not be furthered by neglect of strength or lack of foresight or alertness on our part. Those who contemplate evil and aggression find encouragement in such neglect. Hitler relied heavily upon it. The Japanese would never have attacked Pearl Harbor had they not correctly assessed the weakness of our defenses in the Pacific and had they not incorrectly assessed the fighting determination of the United States when attacked.

Suggestions for assuring the military strength and security of the United States are by no means intended as a recommendation for a race in arms with other nations; nor do they reflect a lack of confidence in the prospect of international relationships founded upon mutual respect and good will which will themselves be a guarantee against future wars. The development of an intelligent and co-ordinated approach to American security can and should take place within the framework of the security organization of the United Nations.

The United States as a member of the United Nations has covenanted not to use force except in defense of law as embodied in the purposes and principles of the United Nations Charter. As one of the great powers we must be prepared to act in defense of law and to do our share in assuring that other nations live up to their covenant.

The United States must have the will and the strength to be a force for peace.

U.S. NEWS ★ ★ ★ Official Text

LESSONS FOR OUR AIR DEFENSE

Senate Study of U. S. Aviation Industry's Achievements

Air-borne weapons able to protect the United States in any future war must be perfected and produced before that war starts. So far the United States is failing to provide either the research or the production system that will guarantee output of those weapons.

Such is the conclusion from a study of the nation's aviation industry that recently was made public by the Senate's Special Committee Investigating the National Defense Program, also known as the Mead Committee. This study, reprinted in its entirety below, lifts the screen of wartime secrecy to point out the mistakes and delays that hampered aircraft production in World War II.

These mistakes and delays forced the Army and Navy to start the war with planes definitely inferior to enemy planes, gave Germany a lead in jet propulsion and guided missiles that was never overcome. The causes of the wartime errors still exist. The remedies required to keep the U. S. on a par with the rest of the world, or ahead of it, in aerial warfare are explored in detail by the Committee's report.

FINDINGS AND CONCLUSIONS

1. Actual and projected improvements in aircraft and missiles threaten to dissipate our historic natural defenses. We must, as a matter of vital national defense, devote sufficient attention and effort to scientific research and development in aviation and adequate aircraft productive capacity.

2. We may be justly proud of our war record of mass production of aircraft. The 300,000 airplanes produced exceeded by a wide margin the most optimistic expectations.

3. Notwithstanding the miraculous achievement of the aircraft industry, there were costly errors and unnecessary wastes. The greatest handicaps to the development of our aerial arm in World War II were the almost complete lack of realistic preplanning by the responsible Government officials and the delay of the industry to avail itself of outside mass production facilities by subcontracting and licensing. The services also failed to investigate and clarify many of the problems of mass production.

4. Since hostilities ended, the wartime aircraft industry has made a remarkable adjustment to the severe reduction in aircraft production and has demonstrated ingenuity in converting to peacetime aircraft production and in switching to other civilian products. However, it must be borne in mind that the airplane industry has been deflated to the approximate size it was in December, 1940. It would take two years to rebuild the industry to its productive capacity of September, 1945.

5. We have not yet developed a clear and farsighted national policy in aircraft research and development. Furthermore, we have not set a policy for the level of production of military-type aircraft and the aviation productive capacity to be maintained in standby condition. In the opinion of the Committee, this policy should have been established prior to the drastic cuts and termination of contracts on V-J Day. Then, the problems of the aircraft industry in adjusting itself and in reconversion would have been easier. Moreover, the peacetime character of the industry could have been evolved more rapidly and at less cost. Here again is an instance of too little planning done too late.

6. Military procurement during peacetime should allow for the purchase of a sufficient quantity of models to conduct experimental and service tests expeditiously and to afford manufacturers an opportunity to work out problems of production engineering, planning, and tool design.

7. Our present facilities for aeronautical research and development are inadequate. The Government should encourage, by financial assistance and otherwise, the establishment of a body of qualified research and technical personnel and the acquisition of adequate scientific research and testing equipment so as to insure that the United States will maintain a position in the science of aviation second to none.

8. The National Advisory Committee for Aeronautics has made many valuable contributions to aviation during the past 30 years. However, in the last decade that agency, as well as the armed forces, has failed to exercise vigorous leadership in the field of aeronautical research and development. Furthermore, they have been slow in initiating and conducting research and development in such important phases of aviation as jet propulsion and guided missiles.

9. The National Advisory Committee for Aeronautics should be modified and expanded, in the light of our war experience. Represented in its policy-making body should be all of the principal elements of our economy interested in furthering aviation science, especially groups which give promise of assuring more aggressive leadership in scientific research and development. The Committee is of the opinion that a greater voice in the affairs and policies of the National Advisory Committee for Aeronautics should be given to representatives of the various branches of the aircraft manufacturing industry.

10. We must establish clear lines of responsibility, coordination, and relationships between the armed services and the National Advisory Committee for Aeronautics and other governmental agencies and private industry concerned with air development.

(Continued on following page)

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PART I—AIRCRAFT PRODUCTION IN WORLD WAR II

Introduction

The airplane was the distinctive weapon of World War II. The achievements of American aviation during this war are unmatched in military history. The number and versatility of airplanes produced by our manufacturers were such as to give our armed forces and those of our allies complete air superiority before the end of the war. This, coupled with the skill and courage of American flyers, was one of the decisive factors in winning the final victory. Utilization of atomic energy, together with the unprecedented advances of aviation science during the war, all point to the rapidly increasing importance of aviation in terms of national defense. At the same time, lessons learned for military purposes have given greater impetus to the use of the air as a transportation medium for commercial peacetime purposes.

The aircraft industry in World War II

The primary objectives of the wartime aircraft manufacturing industry were twofold: (1) the development of technically superior types of aircraft; (2) the speedy production of overwhelming quantities of such aircraft. It was necessary for our industry to shoulder this burden and to overtake our enemies, who had thousands of military aircraft on hand and who had, in preparation for war, developed many aircraft models superior to our own combat types. Furthermore, the production capacity of our enemies was many times our own at the beginning of the war.

As late as 1939 our aircraft industry produced only 2,141 military-type planes including trainers, and 3,715 noncombat airplanes, or a total annual production of 5,856. In 1940, England, France, Holland, and many South American countries placed orders with our industry for combat types of aircraft. These foreign orders, carrying with them stated quantities and liberal prices, for the first time in a quarter century gave the aircraft manufacturing industry a concrete plan upon which to base its future operations. They afforded the means for the expansion of manufacturing facilities, the training of competent production personnel and the designing of modern aircraft, all of which materially aided in the achievement of higher output for our own forces in the months following Pearl Harbor.

Because the majority of foreign orders were for bombardment and training types of airplanes, our production of these models immediately after Pearl Harbor was greater than the production of other types. For this same reason, we had only one fighter airplane in quantity production at the time of Pearl Harbor; namely, the Curtiss-Wright P-40. This airplane was, in many ways, inferior to both the German and Japanese fighters then in use. However, within the matter of months after our entry into the war, our aviation industry was producing all types of combat aircraft on a mass-production basis theretofore believed impossible. Before the end of the war, we were outproducing all the other nations of the world combined, and our aircraft industry delivered a larger dollar volume of war weapons than any other single industry. A total of 299,295 airplanes was produced in the United States from July, 1940, through August, 1945.

This production record is an even greater accomplishment if we consider that it was done at a time when aircraft production was a continuously expanding business with all the intricate and seemingly unsurmountable problems of such unprecedented growth.

In May, 1940, before America had started its wholesale expansion of the aircraft industry, and when the Axis nations were at the height of their military power, President Roosevelt announced to the world that American industry would produce 50,000 airplanes per year. At the time, this goal was criticized as being unattainable. However, once the skill, initiative and know-how of the aircraft industry were adapted to utilizing mass-production methods in the manufacture of airplanes, we not only produced 50,000 planes annually, but exceeded that level to the point of producing 96,318 airplanes during 1944, the peak aircraft production year of the war. During that year, the highest production rate was reached in March, and, based upon that month's production, the annual production rate would have been about 108,000 planes.

In terms of weight, we increased our production from about 90,000,000 pounds of airframe in 1941 to over 1,000,000,000 pounds in 1944. Employment in the entire aircraft industry rose from about 80,000 persons at the beginning of 1941 to more than 2,000,000 workers at the peak period in the latter part of 1943. These employment figures are even more significant if we consider that the individual output of each worker in the airframe industry was increased from 234 pounds of airframe* in 1941 to 1,081 pounds per year in 1944.

Throughout this rapid and complex expansion period, aeronautical engineers were designing new models, improving standard types, and introducing them into assembly lines, while production continued to increase. Throughout the war, our aeronautical engineers developed 425 separate aircraft models of 155 basic types, each model incorporating an improvement in combat power over its immediate predecessor. During the war years, many improvements were made in the speed, firing power, and range of the aircraft which were produced.

The great wartime production record of the aircraft industry was achieved through the utilization of mass-production methods by the industry, the liberal expenditure of Government funds, and the almost unlimited allocation of materials to aircraft production. Prior to the war, the aircraft industry, unlike many other modern American industries, was producing aircraft by individual, tailor-made production methods. This was a slow, laborious process requiring the services of highly skilled aircraft construction mechanics. Mass production of airplanes was made possible only after the process was broken down into a number of smaller, simplified operations. This enabled less-skilled workers to turn out uniform aircraft parts and components in large numbers by employing standardized manufacturing procedures. The uniform parts and components could then be rapidly made into the completed airplane on assembly lines.

Delinquencies in the wartime aircraft production program

The ultimately successful undertaking of the vast wartime aircraft production program, although one of the greatest accomplishments in our industrial history, was attended by delay, confusion, and mistakes. At the beginning, the expansion program was hindered by lack of realistic preplanning on the part of responsible officials of the armed forces and the Advisory Commission to the Council of National Defense. No workable aeronautical mobilization plan was in existence before the war in Europe was well under way.

As late as the summer of 1940 the whole aircraft expansion program was being developed in terms of existing manufactures. No encouragement had been given new producers and the conversion of the automobile industry to aircraft manufacturing was not considered feasible.

The initial program was revised again and again, both as to production goals and as to the types of planes. In this early stage of the program, there were also delays in getting plant expansions started, and valuable time was lost while manufacturers and Government officials bickered over the location of new plants. From the beginning of the expansion period through the summer of 1941, the entire program tended to lag. It is worthy of note that as late as July, 1941, only one heavy bomber was completed in the U. S. during the entire month. Although the necessity for increased production had long been known to all concerned, not until August, 1941, were steps taken to put the aircraft industry on a 24-hour, 7-day-week basis.

The planned airplane production program was ultimately converted into reality only after the armed services and the aircraft industry had made shifts and additions in their engineering, production planning, and other personnel which greatly strengthened the planning corps, and after the Office of Production Management combined the aircraft needs of the Army,

*The industry uses airframe weight as a measure of production. Airframe weight, generally speaking, is the weight of the finished aircraft and spare parts, excluding the engines and auxiliary equipment.

Navy, and foreign claimants into a single production program. However, this large-scale production program was not under way until the summer of 1942.

Man power

Man power presented one of the most difficult problems to the airplane manufacturer. Continual changes in the selective-service policy particularly, harassed the aircraft industry, because it was a comparatively new industry with a great deal of its personnel recruited from younger men eligible for military service. During 1943 the induction of aircraft workers, particularly from the West Coast airframe plants, made serious inroads in the industry. Finally, in November, 1943, a stay of induction was ordered by West Coast airframe workers. However, the cancellation of occupational deferments held by men under 26 years of age increased the separation rate during the first half of 1944. Absenteeism and labor turnover further added to the man-power problems of the industry. Recognition of the causes of labor turnover and the execution of steps to eliminate these causes later resulted in substantial savings in man-hours.

Nevertheless, the man-power problem in the aircraft industry would have been insurmountable without the utilization of women. By 1944, women comprised almost 37 per cent of the entire work force. The mass hiring and utilization of a new and inexperienced labor force, which included both men and women, would have been impossible had not the industry succeeded in "breaking down" a number of the jobs into their primary components so that each component could be performed after only nominal training. On the other hand, the man-power problem was aggravated by some aircraft manufacturers who abused their privilege to the point of exercising what amounted to blanket priorities on man power. In the early days of the war, many aircraft manufacturers overstated their man-power requirements and engaged in hoarding practices.

Furthermore, aircraft manufacturers frequently failed to utilize efficiently the man power on their pay rolls. In October, 1943, this Committee made an investigation of the man-power situation at the Dallas, Tex., plant of the North American Aviation Co. It was then determined that the North American Aviation Co. had overstated its man-power requirements by 10,000 workers for the Dallas plant. As a result of this investigation, West Coast aircraft manufacturers subsequently made substantial reductions in their man-power requirements.

Control of materials

In the early stages of the war, the armed services, as well as other branches of Government and the industry itself, failed to recognize adequately the necessity for control of materials. This situation was eventually corrected late in 1943, but in the meantime overzealous contractors ordered more and better materials than were required, and, in some instances, they specified fabrication methods which were impractical and wasteful. This resulted in excessive inventories on the one hand and failure to produce results on the other. Another retarding factor in the early stages of the program was the failure of the industry to avail itself immediately of outside mass-production facilities by subcontracting and licensing.

Government-furnished equipment

Government-furnished equipment used in manufacture of airplanes was often handled inefficiently and this problem was not completely solved throughout the war. Hundreds of airplanes, after passing through the manufacturers' final assembly lines, had to be partially disassembled to install Government equipment which should have been available for installation on the assembly lines. In many cases, this situation resulted in the removal, reinstallation, and reinspection of aircraft components which already had been installed on the assembly lines, thus adding to the cost in dollars and man-hours. In other cases, Government-furnished armament and instrumentation were arbitrarily placed in airplanes not basically designed to accommodate such components. The Government also furnished a great number of small and easily fabricated components which would have been delivered by the manufacturer with less effort and loss of time.

Design and engineering changes

The armed services did not fully comprehend the importance of design requirements in production planning. This caused considerable confusion during the expansion period when production was being shifted to new plants or to additional manufacturers. This problem was aggravated by the fact that the services were constantly "plaguing" industry with minor engineering changes on airplanes already under construction. It is fully realized that it was necessary to redesign existing types of airplanes in the light of experience and to meet new military tactical requirements, particularly since no American combat airplane conceived after Pearl Harbor saw action during the war. However, had the services conducted more realistic tests and had they done more planning prior to ordering wholesale engineering changes, these alterations would have had a less retarding effect on the production program. Continual design and engineering changes disrupted the standardized and uniform manufacturing procedure which had to be followed in making planes on a mass-production basis.

Modification centers

It was found necessary during the war to expend a great number of man-hours and materials at Army and Navy modification centers in altering finished aircraft for specific combat uses. The modification of a typical heavy bomber required an average of 1,300 man-hours and resulted in a 12-day delay in the delivery of the airplane for combat use after it had left the factory. In some cases, modification involved partially tearing down airplanes and rebuilding them. It is obvious, therefore, that the modification process was costly in terms of money, man-hours and duplicated equipment and facilities, as well as in terms of delaying the delivery of the planes for actual combat use.

The industry, the services, and the War Production Board attacked this problem during the war, but they were unable to make much progress in minimizing the cost and delay involved in modification. This Committee, upon investigating the problem in the summer of 1943, was satisfied that, under the circumstances, no major change in the policy with respect to modification of aircraft should be made, because any major change would disrupt the flow of production.

It is obviously more economical and efficient to build the plane in the form in which it is to be finally used. The advantages in speed and cost of producing the finished product at the factory are so great that the Committee believes that one of the primary production problems calling for correction is eliminating or minimizing the practice of aircraft alteration and modification subsequent to final delivery at the factory.

PART II—RECONVERSION AND POSTWAR PRODUCTION OF AIRCRAFT

Reconversion of the aircraft industry

No major industry faced a more uncertain future on the termination of hostilities than did the aircraft industry. The sudden cutback in the aircraft production schedule has created a most difficult reconversion problem which must be solved if our aviation industry is to thrive in the postwar years.

Aircraft production in the first quarter of 1945 averaged $849,670,000 per month. The total for the month of October, 1945, fell to approximately $53,000,000, a shrinkage of more than 81 per cent. In contrast the large wartime shipbuilding industry fell only 57 per cent from a monthly rate of $442,651,000 in the first quarter of 1945 to $253,000,000 in October, 1945.

In terms of man power, the effects of cutbacks in the aircraft industry likewise have been most severe. From a high of 2,101,600 workers in November, 1943, employment gradually fell off to 1,237,000 persons in July, 1945. As a result of drastic cutbacks after V-J Day, in December, 1945, only about 200,000 persons were employed in the aircraft industry. In April, 1946, the estimated total was only 170,000 persons.

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Notwithstanding the tremendous production curtailment, cases of individual hardship have been relatively few among aircraft workers laid off during this time. The impact has been lightened to a large extent because of State and Federal unemployment insurance and employment services provided for the workers.

Nor has this drastic cutback in aircraft contracts proved financially embarrassing to the contractors who composed the basic aircraft industry. Contract termination procedures, the tax carry-back, and other provisions included in the tax laws have been largely responsible for cushioning this shock. The reduced aircraft production rate still leaves the nation with the nucleus of a healthy aircraft industry.

Disposal of Government-owned aircraft plants

One of the major reconversion problems is the disposal and utilization of the aircraft manufacturing plants and facilities built by the Government in the war period. It has been estimated that under ideal peacetime conditions the airframe industry will use about one third of the total plant space utilized by airframe prime contractors during the war and the aircraft engine industry would utilize about one sixth of the space used by the aircraft engine prime contractors during the war. During the war the Federal Government spent approximately $4,000,000,000 in the construction, purchase, equipping, and rehabilitation of 350 plants which were used in the manufacture of airplanes, aircraft engines, and aircraft parts. As of May 1, 1946, about 300 of these plants had been declared excess to the peacetime needs of the armed forces. Of that number 88 have been sold, 29 leased, and portions of 9 other plants have been sold or leased by the RFC and the WAA.

In testimony before this Committee, aircraft manufacturers indicated that immediately after V-J Day they began negotiations with the Federal Government for the purpose of acquiring Government-owned aircraft manufacturing plants and facilities upon a flexible lease basis that would allow adequately for the uncertainties the industry must face in the future. Many of these aircraft manufacturers desired to lease war plants on a percentage-of-sales basis, and some Government officials charged with the plant-disposal program apparently were anxious to lease these plants on such a flexible basis. However, the evidence reveals that despite the holding of interminable conferences the Government was slow in reaching decisions with regard to the leasing of the aircraft plants for aircraft manufacturing. It was not until Dec. 14, 1945, that the Board of the Reconstruction Finance Corp. recommended the first lease on a percentage-of-sales basis. Even at present such negotiations with aircraft manufacturers are progressing at a slow rate. The Committee urges the War Assets Administration to use every means possible to speed the lease or sale of these plants to aircraft manufacturers, particularly in cases where the plants will be utilized by experienced aircraft companies able to make long-range commitments and establish themselves as a continuing part of our future civil and military aircraft production program. The disposal agency should give due consideration to the fact that the prompt utilization of the plants for aircraft manufacturing will assist in developing a strong postwar aircraft industry, will create stable, permanent employment for many skilled workers, and will accelerate the over-all national reconversion program.

With regard to privately owned aircraft manufacturing facilities which will not be needed for postwar aircraft production, progress is being made in converting these facilities to other uses. For example, aircraft companies are making use of some portion of their own facilities for plastic and chemical projects, experimental work on gun turrets, and the manufacture of trucks, truck bodies, and household appliances. The bulk of Government-owned aircraft manufacturing plants have been turned over entirely to users who are producing items and materials of a nonaircraft character. The Willow Run bomber plant at Ypsilanti, Mich., has been leased by the Kaiser-Frazer Corp. for the manufacture of automobiles; the Curtiss-Wright plant at Buffalo, N.Y., has been taken over by the Westinghouse Electric & Manufacturing Co. for the production of electric motors, and the Consolidated Vultee plant at San Diego, Calif., is being utilized on a multiple-tenancy basis for the use of a number of manufacturers of civilian-type products. At the present time the War Assets Administration states it is making surveys which will assist prospective purchasers or lessees in utilizing these plants outside of the aeronautical field.

Since the termination of hostilities the armed services have been attempting to formulate a policy with regard to the number and type of aircraft plants to be maintained in standby condition. It is contemplated that these plants will be kept in stand-by condition in order that they might be immediately placed in production in the event of an emergency. Now, over nine months since the end of the war, the Army-Navy Munitions Board, which is responsible for the decision with regard to stand-by aircraft plants, is still considering the question, and has not as yet announced any decision.

Commercial aircraft production

Plans for the production of commercial aircraft are being pushed aggressively by the industry. The war has given tremendous impetus to the manufacture of commercial aircraft. Before the war production of commercial transport aircraft was concentrated in three companies, and one of these supplied the bulk of the air liners for our commercial air fleets. At the present time six major aircraft companies have booked orders for modern transport airplanes, and at least two others are working on promising prototypes. These orders, spread over a two-year period, amount to about $260,000,000. Production of transports is now under way and some of the new types already have been delivered.

Great strides have been made in the improvement and development of air transportation as a result of our war experience. The Douglas DC-3, the present work horse of the air lines the world over, carries 21 passengers at an average cruising speed of 180 miles per hour. The Douglas DC-4, with an average cruising speed of 230 miles per hour and a capacity of 59 persons, as well as the Lockheed Constellation which carries 60 passengers at an average cruising speed of 310 miles per hour, are both now in use on the air lines. The Douglas DC-6, carrying 56 to 68 passengers at an average cruising speed in excess of 300 miles per hour, will be ready for delivery to the air lines within a few weeks. The Boeing Stratocruiser, which has a capacity of 80 passengers and a cruising speed of 320 miles per hour, is expected to be delivered to the air lines early in 1947. Other new air liners, which will carry from 34 to 180 passengers at average speeds ranging from 250 miles per hour to 400 miles per hour are now on order by several air lines. These new-model air liners can be surpassed by even larger and faster planes in the future.

There is every indication that competition will be more intense in the field of personal aircraft. Several of the large manufacturers of military aircraft have announced their intention of entering this field. At present more than 20 concerns are in production of new types of small airplanes, and deliveries to customers are already under way.

We have entered a new era in the field of civil aviation. Within the next few years there will undoubtedly be ever-increasing demands for all types of civilian aircraft.

Postwar procurement of military aircraft

Although the future of the civilian aircraft industry appears to be assured in the immediate postwar period, a different picture is presented in the case of military aircraft. The only customers for military-type aircraft are our own armed forces and to some extent the armed forces of foreign nations. Therefore, any consideration of a postwar military aircraft-manufacturing program must necessarily involve the peacetime procurement policies of our armed forces.

If our military aircraft industry is to survive in the postwar years, it must depend upon Government orders. There is a continuing need for a progressive and efficient military aircraft industry. A superior air arm is dependent upon such an industry. Although many of the manufacturing techniques and production methods used in the civil aircraft industry can be adapted to the production of military aircraft, the planning, design, and actual manufacturing of military aircraft constitutes a separate function.

The aircraft industry must continue to produce combat airplanes on a scale adequate to maintain constantly a well-trained, properly balanced, experienced staff of workers and technicians who can keep abreast of the most improved and efficient aircraft manufacturing techniques and produce the latest types of combat aircraft. Otherwise, our peacetime air arm will soon become outmoded and obsolete. The Committee realizes that our peacetime military aircraft industry will be but a fraction of the size of the industry which operated during wartime. However, that part devoted to the manufacture of combat airplanes, small though it may be, must form the nucleus of an expanded industry in the event of any future emergency. It is, therefore, incumbent upon the armed services and the Congress to recognize the important role of the military aircraft industry in any effective postwar national defense program.

The postwar procurement policies of the Army and the Navy must be formulated and implemented in such a way as to foster and develop this military aircraft industry. The Government procurement of military aircraft should not be confined to any one manufacturer or small group of manufacturers. Procurement contracts must be equitably distributed among qualified manufacturers so as to maintain a well-balanced industry fully capable of meeting any increased military demands for combat aircraft.

Because of the scientific advances that have been made during the war and will continue to be made during peacetime years in the aeronautical field, the keynote of military procurement policies must be flexibility. Weapons or airplanes which are new and advanced today are likely to be obsolete three years from now. Overprocurement of present types can only serve to hamper the full development of the air arm of our national defense. The possession of large numbers of outmoded planes may well induce a false sense of security. In the past the rigid policy was set down that the armed services purchase only a single unit, or at most three units of a new experimental aircraft for preliminary tests, and it was conventional to order 13 airplanes for service tests. The continuance of this rigid procurement policy will retard aeronautical progress.

The determination as to the number of experimental and service test airplanes of any particular type to be ordered must be left to the sound judgment of aeronautical experts in the armed forces and in the industry. In making this determination, it is necessary to procure enough airplanes to conduct adequate tests. It is also necessary to order in sufficient quantity to allow the manufacturer to undertake at least a minimum of the production engineering, planning, and tool design needed to develop mass-production techniques.

The need for flexibility in aircraft procurement policies is even more apparent in the case of pilotless aircraft and missiles, with which Government procurement must be concerned in the years ahead.

Moreover, in the purchase of experimental aircraft and missiles, it is apparent that there must be employed a more flexible contract, whether cost-plus-fixed-fee, target price with incentive, negotiated lump sum per month, or other type of adjustable contract. It is almost impossible to determine in advance with any degree of certainty the cost of any new experimental aircraft or engine or missile. This fact tends to eliminate the fixed-price contract for experimental work. It is, therefore, the responsibility of the procurement officials to develop a contracting procedure that can be efficiently utilized in costly experimental work. Such a contract must provide an adequate incentive for private industry to undertake the experimental work but at the same time must safeguard the public funds involved.

PART III—RESEARCH AND DEVELOPMENT

If this Nation is to remain a leader in the field of civil and military aviation, we must maintain a pre-eminent place in the field of aeronautical research and development. Today rapid and continuing developments in all phases of aeronautics make it imperative that we, as a nation, keep abreast of these developments and their practical application. Atomic energy, radar, winged missiles, pilotless aircraft, and jet propulsion, all have an important application in the aeronautical field. Neglect of aeronautical research and development now could cause our country to fall behind in realizing the benefits from advances of the last decade.

Other nations are known to be devoting considerable attention to aeronautical research and development. Great Britain is constructing a new research center costing "millions of pounds" and otherwise is energetically supporting research in all phases of the science. The recent speed records set by Great Britain's jet-propulsion airplanes should emphasize to the United States that Great Britain is giving emphasis to aeronautical research. Russia is also known to be embarking on a most extensive program of scientific research, which undoubtedly will include aeronautical research.

Intense world-wide public interest in research has been generated by the revolutionary impact of the atomic bomb, the discovery of which has brought home to the American public certain salient facts concerning research and development. It must be realized too that this harnessing of atomic energy was a triumph not of pure science alone, but an accomplishment of science, industry, and Government working as a co-ordinated team to develop and apply something that pure science had known before. The teamwork necessary to develop the atom bomb must likewise be applied to new discoveries in the aeronautical field.

The responsibility for aeronautical research and development rests with three main groups, namely, the aircraft industry, scientific and educational institutions, and the Federal Government agencies, including the armed services. Each group has a necessary and important place in the field and a proper balance must be maintained among them if maximum results are to be obtained from their combined research efforts.

Functions of the National Advisory Committee for Aeronautics

The National Advisory Committee for Aeronautics is the Government agency primarily responsible for the conduct and direction of research in the field of aeronautics. The armed services, the aircraft industry, and other private and public organizations interested in the problems of flight must look to this agency for guidance and assistance in their research programs.

Aviation representatives agree, and this Committee is aware, that the National Advisory Committee for Aeronautics has made a great contribution to American aviation. Among the contributions made by the National Advisory Committee for Aeronautics during the war were low-drag wings, high-speed propeller design data, improved stability and control, load and structural design data, dive control flaps, tricycle landing gear, high lift flaps, and improved safety in spins. These improvements, which were accomplished by the National Advisory Committee for Aeronautics in co-operation with the aircraft industry, permitted greater speed and range for our planes and eventually when produced in great numbers gave our air forces a basic advantage over enemy air forces.

It is, however, the opinion of this Committee that some improvements in the organization and operations of that agency can result in greater accomplishments in future aeronautical research.

The National Advisory Committee for Aeronautics has stated that fundamental research* rather than applied research looking toward the development of specific aircraft or equipment, is its principle postwar objective. During the war the National Advisory Committee for Aeronautics, under the direction of the Army-Navy Aeronautical Board, acted as a consulting and research agency for the armed forces and as such concentrated its efforts on the solution of specific aircraft problems, most of which involved applied research. This resulted in a serious cur-

*"Basic" or "fundamental" research is the term frequently used to describe the attempt to discover basic scientific principles. "Applied" research or "development" relates to the effort to apply these scientific principles to an operating mechanism. In the Air Corps the latter is commonly called "development engineering."

tailment of fundamental research during the war period. The Committee agrees with the National Advisory Committee for Aeronautics that as soon as practicable it should discontinue these applied research problems and devote its efforts to fundamental research. Specific development problems should be, for the most part, the responsibility of the Army, the Navy, or the various aircraft manufacturers who have a direct interest in such projects.

The National Advisory Committee for Aeronautics, in addition to conducting basic research, is also charged with responsibility for co-ordinating aeronautical research programs carried on by public and private groups throughout the nation.

Organization of the National Advisory Committee for Aeronautics

The 15-man National Advisory Committee for Aeronautics also sits as its executive committee and formulates the top policy of the organization. The enacting legislation (49 U. S. C. 241, as amended) for this agency provides for the appointment of its members as follows:

> "An Advisory Committee for Aeronautics is hereby established, and the President is authorized to appoint not to exceed fifteen members, to consist of two members from the War Department, from the office in charge of military aeronautics; two members from the Navy Department, from the office in charge of naval aeronautics; two members from the Civil Aeronautics Board; a representative each of the Smithsonian Institution, of the United States Weather Bureau, and of the United States Bureau of Standards; together with not more than six additional persons who shall be acquainted with the needs of aeronautical science, either civil or military, or skilled in aeronautical engineering or its allied sciences."

Prior to April 8, 1946, the aircraft manufacturing industry had no representation on the executive committee although the air-line operators were represented. On that date Arthur E. Raymond, vice president in charge of engineering at the Douglas Aircraft Co., and R. N. Hazen, chief engineer of the Allison division, General Motors Corp., were appointed to the executive committee.

In production of aircraft, as in any other industry, there must be a close working relationship between the research groups and the industrial groups which are planning and building the aircraft. This is essential if the results of research and development are to be properly applied and utilized in the finished product. Until the formation of the Industry Consulting Committee in June, 1945, none of the working NACA technical committees or subcommittees had the specific responsibility of advising the National Advisory Committee for Aeronautics on the problems and needs of the aircraft industry. At the present time only 73 of a total of 354 committee and subcommittee memberships are held by men associated with the aircraft manufacturing industry. Excluding the eight industrial representatives on the Industry Consulting Committee, over 82 per cent of the committee and subcommittee memberships in the National Advisory Committee for Aeronautics are held by persons outside of the aircraft manufacturing industry. Considering the important position which the aircraft manufacturing industry now holds in American aviation, the committee believes the industry should be afforded greater participation in all phases of the future affairs of the National Advisory Committee for Aeronautics.

Co-ordination of aeronautical research activities

The need for a co-ordinated aeronautical research and development program is evident. Extensive public and private funds have been and should continue to be made available for aeronautical research and development.

There was appropriated by Congress for aeronautical research and development during the fiscal year 1946 a total of $372,270,843. Of this amount $200,000,000 was allocated to the War Department, $148,256,450 to the Navy Department, and $24,014,393 to the National Advisory Committee for Aeronautics. Since the beginning of the war there has been a substantial increase in the amount of federal funds made available for this task.

Private educational and scientific organizations and the various branches of the aircraft industry have also spent and will continue to spend millions of dollars each year on research and development. If satisfactory results are to be obtained in the field of aeronautical research and development, adequate public and private funds must continue to be made available for the construction, equipment, and operation of modern research facilities and for the employment of qualified research personnel. Leadership in aeronautical research and development, requires not only the expenditure of hundreds of millions of dollars annually but also co-ordination and integration of our nation-wide efforts in research and development. At the present time the National Advisory Committee for Aeronautics fails to give the attention to the co-ordination and integration of our nation-wide research efforts which is required by the circumstances. No concrete policy for the co-ordination of the many aeronautical research projects being conducted by private and public groups throughout the country has been formulated as yet by the National Advisory Committee for Aeronautics or any other federal agency. Lacking such a policy, the National Advisory Committee for Aeronautics does not have the means of knowing whether our nation-wide research efforts are being carried out on a systematic basis. Without that knowledge it cannot be sure that every important phase of aeronautical research and every worth-while research discovery is receiving adequate attention by at least one responsible research group. Furthermore the proper co-ordination of our research efforts can prevent the unnecessary overlapping and duplication of research work by arranging for the free and continuing exchange of information between the working research groups where such exchange will not affect the national security. One of the principal causes for such duplication as exists is the competitive urge of various groups to forge ahead. This is a healthy thing, if not carried to excess. There is a need for greater authority in the National Advisory Committee for Aeronautics to harmonize research programs, especially those financed by public funds.

The National Advisory Committee for Aeronautics in carrying out its own research programs and in co-ordinating nation-wide programs should not attempt to dominate or control the applied research programs of other Government agencies, or the basic or applied research programs of private organizations. While there is a need for the co-ordination of aeronautical research activities, responsible research groups must be afforded freedom of action if the best results are to be obtained. This is particularly true in the aircraft manufacturing industry, which is now technologically and financially able to equip and support research laboratories capable of making substantial contributions to aeronautical science. Healthy competition in this field will preclude the possibility of research following a one-track line of development and should result in a broader and more effective approach to the over-all research problem.

German and Japanese aeronautical research

Unquestionably, the greatest single advance in the field of aviation to come out of the war is the development of jet propulsion. Germany led the world in this important phase of aeronautics. By 1939 conventionally powered propeller-driven planes had reached a top speed of about 380 miles per hour. In the following six war years this speed was increased to about 500 miles per hour. Jet propulsion has already pushed the top speed of aircraft above 600 miles per hour and the door is now open to even greater speeds. Jet propulsion offered the quickest means of attaining this sudden increase in speed, but propeller-driven aircraft have possibilities of 600 miles per hour with greater efficiency, particularly through the use of gas turbine engines and improved propellers. Jet propulsion is also utilized in guided missiles. These jet-propelled missiles have attained breath-taking speeds. The German V-2 missile, which was launched against England in the fall of 1944, reached speeds in excess of 2,500 miles per hour. Reputable aviation experts have stated that speeds up to 100,000 miles per hour may be attained by such missiles in the future.

There are four different types of jet propulsion, namely

ket, turbo-jet, ram-jet, and propeller-jet. The rocket-type ine utilizes gases, which, when expelled through a jet from rear of the engine, create a thrust giving forward motion the plane. This rocket-type engine has no dependence on tside air to maintain combustion, inasmuch as all of the ments for its operation are carried within the aircraft. he turbo-jet engine operates on the same general principle the rocket, except that air must be drawn in from the tmosphere and mixed with fuel to support combustion. The am jet operates on a similar principle to the turbo-jet engine xcept that the air is compressed due to forward motion. This the simplest type for aircraft power plant and may be of he steady-flow or pulsating type. The propeller-jet engine a combination of the conventional airplane propeller and he turbo-jet engines. In this model the gases passing through he turbine drive the propeller and the exhaust gases are then tilized to create a thrust to the rear, which assists the pro-eller in driving the plane forward.

Jet propulsion is used in two ways on aircraft. Pure jet planes epend solely upon jet-propelled engines for their motive ower. On the other hand, some planes which are equipped ith conventional-type engines use auxiliary-jet-propelled ngines to assist on take-offs, and to give added power for elatively short periods of time.

From the beginning of the Nazi regime in 1932 there was n enormous expansion in German aeronautical research. The kill of German aeronautical scientists coupled with unlimited unds, made Germany a leader in the field. During the period rom 1932 to 1940, German research efforts were directed argely toward the development of superior aerial weapons and ere aimed at preparing the German armed forces for the ar which they initiated so confidently in September, 1939. The second phase of German aeronautical research covers the eriod from 1940 to 1943 when the Germans, after their sweep-ng military victories early in the war, materially reduced their fforts in research and new developments, reasoning that the ar in the West was won and new weapons would not be eeded to defeat Russia. The third phase includes the period rom 1943 to 1945, when German research efforts were again reatly expanded, mainly because military reverses in Russia nd the entrance of the United States into the war convinced he Germans that they had made a serious mistake in relaxing heir research efforts. They realized that they could not hope o conquer the numerically superior air forces of their enemies nless they could achieve superiority in the quality and variety f their own aerial weapons.

The money and effort spent on German aeronautical re-earch and development over a period of years gave the German ir forces a decided advantage over this country, as well as he rest of the world, in the field of fighter aircraft, turbo-jet nd rocket propulsion and guided missiles. Between 1935 and 939 German fighters in actual service had a decided perform-nce advantage over their contemporary American types. The ingle engined ME-109 and the twin-engined ME-110, which ere used in combat during 1940, had a speed advantage of lmost 100 miles per hour over our fighter planes then in use. German fighter planes during the early war period also carried rmor protection for the pilot and leakproof gas tanks which er airplanes lacked at that time. The same relative perform-nce differential between German and American fighter planes ntinued through 1941. However, by late 1942 and early 943, our Corsair and Hellcat Navy fighters were put into ervice and they compared favorably with the FW-190 which as then the latest service-model German fighter. During 1943 nd 1944, due to the use of improved power plants and other erodynamic improvements, the performance of American fighter ircraft steadily improved, and by the end of the war in urope our Navy F-4U fighter plane had a top speed of 440 iles per hour as compared with top speeds of 385 and 400 iles per hour for the German FW-190A and ME-109, re-pectively. The development of the P-47 and P-51 Army ighters eventually gave us superiority over conventionally ropelled German fighter airplanes.

In the field of jet propulsion, the Germans maintained leader-ship throughout the war. They began work on the turbo-jet aircraft power plant in 1936. By 1938 the Heinkel Co. used a turbo-jet engine in an experimental airplane During that same year the twin-engined turbo-jet ME-262 was designed and began test flights in April, 1941. By the summer of 1944 the ME-262 was in as full-scale production as our bombing program allowed and was used effectively in combat. With a high speed of 530 miles per hour this airplane had considerable operational success against Allied bombers during 1944-45. In addition the Germans had developed the ME-163, a rocket-powered intercepter aircraft which was considered to be impractical, but which nevertheless was used in combat as a defensive weapon. In comparison the development of our own turbo-jet power plants was such that the first Navy pure jet airplane did not fly until 1945 and no Navy jet-propelled airplane ever engaged an enemy in combat. Likewise our Army Lockheed P-80 jet-propelled fighter never saw combat service during the war.

The swept-back airplane wing was another important aeronautical improvement developed by the Germans during the war period. German research technicians first discovered that if the wings were swept back, the high-speed characteristics of the airplane were greatly improved. The Germans had been conducting research and development on this type of wing and had utilized it on some combat aircraft during the war. Although the Germans had recognized earlier than the Americans the value of the swept-back wing for very high speed airplanes, American technicians, during the war period, had discovered independently the utility of that type of wing. However, because American development on this wing had not advanced as far as German development, no American airplane employing the swept-back wing was used in combat during the war.

The Germans led the world in the development and use of guided missiles. German V-weapons which were used with considerable effectiveness in the last year of the war are now a matter of common knowledge. The Germans were sending these guided missiles across the English Channel into Southern England as early as June, 1944. It was not, however, until December, 1944, after British and American research technicians had an opportunity to study the German missiles, that contracts were let in the United States by the armed forces for the procurement of winged missiles similar to the type used by the Germans.

German leadership in such important new phases of aeronautics as jet propulsion and guided missiles is a direct reflection upon the scope of our aeronautical research and development in the prewar years.

The Japanese succeeded in making some relatively minor improvements in aircraft components and accessories. However, Japanese aeronautical research technicians made no important or substantial contributions to aviation either before or during the war. The Japanese for the most part utilized the aeronautical discoveries and developments of the United States, Germany, and other nations. At the beginning of the war the Japanese Zeke and Oscar type of fighter plane excelled our own fighters then in use in almost every category except protection, fire power, and, in some cases, speed. Japanese superiority in fighter planes ended, however, with the introduction of our Navy F-4U and F-6F fighters, and the Army P-38, P-47 and P-51 fighters.

Neither the Germans nor the Japanese had bombing planes superior to those of our armed forces. At the beginning of the war, German bombers were comparable in quality to our own. However, after 1942 American bombers were far superior to the bombardment aircraft of our enemies. From the very beginning of the war American bombers were superior to the bombing planes of the Japanese.

Future of aeronautical research and development

As a result of the war, aeronautical research and development has been given great new impetus and experts agree that we will see revolutionary developments in aviation during the next few years. The giant strides in aeronautics and the related sciences made during the war by ourselves, our allies, and our enemies are convincing proof that our national defense is in

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no small measure dependent upon superior air power. Jet-propelled aircraft, pilotless planes, and guided missiles, when coupled with the atomic bomb, give us an insight into the swift and powerful air weapon of the future.

During the next few years every major nation will be working upon the improvement of these new aeronautical developments and their application to civil and military aviation. We, as a nation, have the scientific and industrial skill, as well as the financial resources to lead the world in aeronautical research. The responsibility for maintaining that leadership rests squarely upon the public and private aeronautical research groups and upon the instrumentalities of Government and the private organizations to whom these groups must look for funds.

One of the most pressing problems facing aeronautical science is the operation of aircraft at transonic and supersonic speeds. With the recent development of aircraft and guided missiles which will continue to attain greater speeds by means of jet propulsion, the aeronautical engineer is more and more concerned with the physical phenomenon occurring in the region of and beyond the speed of sound. Under standard conditions the speed of sound is 762 miles per hour. Neither the National Advisory Committee for Aeronautics, nor any other research group in America, is now adequately equipped to perform the research and experimentation necessary in this regime of high speed. The NACA has six supersonic wind tunnels in operation and five more under construction, but these are not adequate as to size and speed to meet present demands. In order to carry on this important work, it is absolutely necessary to have wind tunnels and other equipment for conducting tests at high speeds. Since the termination of hostilities in Europe, it has been determined that before the war the Nazis had been operating a greater number of, and more efficient, supersonic wind tunnels than are now in existence in the United States. Furthermore, at the end of the war they had at least seven of the latest-design high-speed tunnels under construction and a planned research center which was to have cost between $60,000,000 and $75,000,000.

The aeronautical research facilities in this country today are inadequate for the new speed regimes. The basic and applied research, which must be done if we are to keep abreast of present and contemplated future developments in aeronautical science, cannot be accomplished with existing facilities. The National Advisory Committee for Aeronautics, the armed forces, and the aircraft industry are aware of the inadequacy of present facilities. Basic research, which was sorely neglected during the war, must be emphasized and stimulated. Likewise, facilities and equipment for conducting applied research must be improved and expanded. However, it must be borne in mind that, in expanding our research facilities, a proper balance must be maintained between basic and applied research. If the results obtained by either type of research are to be translated into improvements in the end products of our aircraft industry, both phases of research must be expanded. This expansion must be co-ordinated.

It is estimated that the facilities necessary to meet our aeronautical research needs will cost several hundred million dollars. The federal Government should finance the creation of facilities for effective basic and applied research where such facilities cannot be financed by private funds. Government-financed research facilities of general usefulness to the aircraft industry, the armed forces, and scientific institutions must therefore be utilized to the advantage of all aviation interests—civil and military, public and private. For this reason the problems and needs of each of these interests must be considered in planning the control and operation of new research facilities.

The National Advisory Committee for Aeronautics and the Army Air Forces have advised the Committee of their recently formulated plans for the creation of new aeronautical research and development facilities. These plans, which are now only in the preliminary stage, call for the unprecedented expansion of basic and applied research facilities. These facilities are to be used to study and solve the problems of transonic and supersonic flight, jet propulsion, guided missiles, pilotless aircraft, and the other aerodynamic and propulsion problems which must be solved if we are to keep pace with the rest of the w in the field of aeronautics. The plans for these facilities sho be completed expeditiously and the necessary facilities sho be constructed and placed in operation as soon as practica

The National Advisory Committee for Aeronautics and armed forces are primarily responsible for the inadequacy our present research facilities. It is now their responsibility complete promptly the necessary plans and initiate the act to remedy the existing deficiencies in our research and devel ment facilities.

In the past the National Advisory Committee for Aeronau and the armed services failed fully to comprehend the portance of such revolutionary aeronautical developments jet propulsion and guided missiles. A recurrence of this fail to grasp and develop new ideas in the future might well this country its place of leadership in the field of aeronaut Not only must these agencies exercise vision and imagina in seeking out new ideas which have an application to aero tics, but in conjunction with the aircraft industry they m undertake the necessary research to explore and develop th ideas. The National Advisory Committee for Aeronautics the Government agency primarily responsible for the direct and co-ordination of aeronautical research, must assume gressive, foresighted leadership in the research field. It lack this leadership in the prewar years.

For several years prior to the war, although the Natio Advisory Committee for Aeronautics was aware of the need increased personnel and facilities to carry on its research w it did not request sufficient funds from Congress to meet fu its known requirements. Dr. Jerome C. Hunsaker, chairman the National Advisory Committee for Aeronautics, testifi on this point as follows at the Committee's hearing Feb. 26, 1946:

> MR. FLANAGAN.* Doctor, if you had received all of the money that your organization has asked for in the last 15 years, would the National Advisory Committee for Aeronautics, in your opinion, be conducting research on an equal level with any country in the world . . .
>
> DR. HUNSAKER. No; we never asked for as much money I am sure, as the Germans were spending.
>
> MR. FLANAGAN. Well, why didn't you ask for more?
>
> DR. HUNSAKER. I don't know . . .
>
> SENATOR MITCHELL. What were the pressures? What held the request down?
>
> DR. HUNSAKER. A general state of mind of research men they can't inflate themselves quickly. You don't get a great deal of research done quickly unless you have a national mobilization such as Dr. Vannevar Bush was able to achieve when the war came, and men dropped their jobs. Things have to grow slowly.
>
> SENATOR MITCHELL . . . Apparently, it would appear to me at any rate that the scientist here has been afraid to come before Congress and ask for the money he thinks might be used well on pure research.
>
> DR. HUNSAKER. Instead of saying afraid, I would say he is somewhat modest in his ideas of what can be done.

This timidity in requesting adequate congressional appropri tions indicates a lack of forcefulness which cannot be tolerate during the postwar years in the Government agency responsib for guiding and directing our aeronautical research progra It is the duty of the National Advisory Committee for Aeronau tics and the armed forces to furnish Congress with the fu facts regarding their research needs and to request the fund necessary to meet these needs.

The war has taught us the importance of aeronautical re search. The aeronautical developments resulting from the wa give us an insight into the might and destructive power the aerial weapons which will be developed in the years ahea The future of American aviation, and to a large degree on national defense, are dependent upon our ability to lead th world in aeronautical research and development.

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*Francis D. Flanagan, executive assistant to the chief counsel of th Committee.

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Mr. Truman, privately, is letting Democratic leaders in Congress understand that they are the ones, not he, who must stand for election in November, 1946, and that they will be the ones who must account to the voters if the cost of living zooms in the months just ahead.

★ ★ ★

The President keeps surprising visitors with his philosophical attitude toward the problems that beset the country and threaten to bring a whole new wave of strikes on the heels of the first wave. President Truman takes the attitude that he does his job day by day and that he can't be worried by looking too far ahead or by looking too closely at current problems.

★ ★ ★

Phil Murray, CIO head, is to direct policy of the CIO's Political Action Committee and will oppose support for any third-party movement. PAC's method still will be to use its influence within the two major parties.

★ ★ ★

Mr. Murray, running PAC, will support Henry Wallace for Vice President in 1948. The CIO head and the Commerce Secretary are agreed in their opposition to a third party. Neither is too enthusiastic about Mr. Truman for renomination, but no alternative is being suggested in the Democratic Party.

★ ★ ★

Michigan's Arthur Vandenberg keeps moving up in the ranks of probable contenders for the 1948 Republican nomination for the Presidency as a result of his identification with the practical j b of making peace. Senator Vandenberg is to play a big role in the international conferences of the months ahead.

★ ★ ★

Some important officials are expressing the opinion privately that what this country needs is a good, snappy depression of the kind that will shake some values back nearer to normal and will give people a little more enthusiasm for the idea of working hard. Nobody seems to be happy in the midst of the present boom.

★ ★ ★

Henry Wallace, Commerce Secretary, is not prepared to insist at this time that U. S industry can give another big increase in wages without increasing prices. Mr. Wallace is not egging labor leaders into making new demands for a second postwar round of wage demands, since the first round did not work out so well.

★ ★ ★

President Truman has no plans for dealing with a second wave of strikes if one develops in the period just ahead.

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Some important manufacturing groups that had favored an end to price control shifted position when they discovered that Congress was fixing it so that both wages and raw-material prices would come out from under control while prices of manufactured products would be controlled. Many industries would find themselves caught in a squeeze by that kind of setup, and they shifted around to support for general control of price.

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John Snyder, Treasury Secretary, is swinging back to the traditional practice of finance ministers in overestimating expenditures and underestimating income of the Government. Expenditures of $40,000,000,000 in a peacetime year are being projected, although all of that money may not actually be spent.

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President Juan Peron, Argentina's dictator, is upset by the U. S. refusal to sell $500,000,000 in surplus armament to that nation. General Peron is turning to Russia for arms, but Russia's production is not well fitted to Argentine needs.

The British are objecting to the proportion of jobs in United Nations organizations that are going to Americans. A system of international patronage is having to be devised so that tax-free jobs—many of them at about twice the level of U. S. Government salaries—will be parceled out on some share-for-share basis.

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Generalissimo Chiang Kai-shek's Chinese relief organization has been delivering only about 10 per cent of American relief supplies, furnished by United States taxpayers, to the actual famine sufferers in the rice districts of Southern China. Between 40 and 50 per cent of the supplies are being used to maintain the relief organization itself and another 40 per cent is being sold in the cities far from the famine area.

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There is nothing to the idea that U. S. relief is being denied to the Chinese Communists. The Communist areas of China are the big food-producing areas and have enough food if transport difficulties are overcome.

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A U. S.-British argument is developing around plans for operation of the International Monetary Fund that is supposed to start adjusting world currency values before the year is out. The British want a check on currency movements that is automatic, with little discretion in the managers of the Fund, while U. S. favors a plan that will permit Fund managers to exercise supervision over currency movements.

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If Russia gets a loan from U. S., it will be a $1,000,000,000 loan and not the $6,000,000,000 loan originally sought. The larger loan, on terms comparable to those given to Great Britain, would require separate action by Congress and would stir a fight that would make the fight that preceded the British loan seem mild by comparison.